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Party Schools Urged To Undertake Reforms

Eliminate 'Leftism'

93CM0075A Beijing DANGXIAO LUNTAN [PARTY SCHOOL TRIBUNE] in Chinese No 10, 5 Oct 92
pp 42-43

[Article by Li Jianzhi (2621 1696 1807), deputy principal, the Second Automobile Factory CPC Party School: "Consciously Eliminate the 'Left' Things"]

[Text] The main point Comrade Qiao Shi stressed in his speech at the national meeting of party school principals was how party school comrades should face up to and deal with "leftism." He explained from many angles that "the way out for party schools lies in reform, and the development of party schools also lies in reform" and that the major obstructions to the reform and development of party schools are the influence of "left" ideas, the shackles of "left" thinking, and the trammels of "left" habits. For this reason, comrades of party schools should proceed from the party's cause and historical mission, actively and consciously eliminate the "left" ideological influence, and really become a new wave pushing the ideological emancipation movement forward.

First, party schools at all levels should attach great importance to eliminating the "left" things in their own work. If not eliminated, the "left" things are bound to seriously undermine education at the party schools. We should also recognize that old "left" habits are just as deep-rooted in party school work, and many comrades have become accustomed to these heavy burdens. For example, there are formalism and dogmatism in study style; pedantic, metaphysical, but unrealistic, idealism in method of thinking; old concepts and antiquated theories, which are distorted and totally incompatible with the socialist market economy, in the content of the courses; and the perfunctory style of "cramming" and "forced-feeding" of useless knowledge in method of teaching. Comrade Mao Zedong said as early as in the Yanan period that in educating cadres "the method of studying Marxism-Leninism statically and in isolation should be discarded," but even today we still consciously or unconsciously study Marxism-Leninism statically and in isolation. To eliminate the old "left" habits in the work of party schools, the emphasis should be placed on the content of the courses and the method of training. In the content of the courses, we should gradually eliminate the concepts and theories which go against the socialist market economy and gradually eliminate the dogmatic and formalistic things; in theoretical studies, we should gradually discard the approach of studying book after book and theory after theory statically and in isolation, but should develop Marxism-Leninism in a creative way, proceeding from realities and keeping development in mind. Party schools should have the consciousness and sense of responsibility that thoroughly eliminating "leftism" is necessary for the party's cause and required of

those with a historical mission. Otherwise, it is difficult to push forward the reform and development of the party schools.

Second, Comrade Deng Xiaoping's thought should be taken as the major content of party school education. Comrade Xiaoping's thought is the theoretical crystallization of the practical and realistic solutions to the practical problems and development problems in China's socialist construction. Its greatest characteristic is: not to be limited by the existing books, not to be confined by the existing theories, but to always proceed from reality, constantly emancipate the mind, and arrive at new conclusions which conform to objective reality in the process. Taking Comrade Xiaoping's thought as the major content of party school education will not only foster the fine style of seeking truth from facts among leading cadres at all levels, but also help them master the theories and policies for building socialism with Chinese characteristics.

Third, cadres at all levels should be educated on new ideas. The process of emancipating the mind is one of replacing old ideas with new ones. At present, the outdated ideas that shackle the thinking of cadres at all levels include mainly the following: the doctrinarian interpretation of certain Marxist principles and books, some unscientific and even completely twisted interpretation of socialist theories, and theories and policies transcending the initial stage of socialism, which surfaced before the reform and opening to the outside world and are still clung to by some. To replace these ideas, we should foster the idea of a socialist market economy, the idea of the initial stage of socialism, and the idea of building socialism with Chinese characteristics. Especially it is necessary to arm cadres with the important new ideas and new thinking in Comrade Xiaoping's talk during his trip to the south.

Fourth, consciously eliminating "leftism" should be made an important part of courses on party spirit for students, so that through these courses leading cadres at various levels will be helped to eliminate the "left" influence in a systematic way. Included should be the elimination of the "left" way of thinking, the "left" way of behavior, and the "left" traditional habits, as well as how to help the government eliminate policies with marks of "leftism." Teachers and students should help and learn from each other and make progress together, and they should jointly strive to liberate themselves from the heavy burden of "leftism," form new thinking and new ideas, blaze new trails, and achieve new successes.

For the latter half of this year, the emphasis of education should be placed on adding the following three kinds of teaching materials: 1) a number of carefully selected treatises and expositions by Mao Zedong on combating dogmatism; 2) a systematic introduction of Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics; and 3) a few carefully selected Western bourgeois economic theories used for the development of a socialist market economy.

Change Way of Thinking

93CM0075B Beijing DANGXIAO LUNTAN [PARTY SCHOOL TRIBUNE] in Chinese No 10, 5 Oct 92 p 44

[Article by special correspondent: "To Change Other People's Way of Thinking, We Must First Change Our Own Way of Thinking—Sidelights on the National Meeting of Provincial, Autonomous Regional, and Municipal Party School Principals"]

[Text] On the afternoon of 25 July, the 5th group held a discussion on the important speech delivered by Comrade Qiao Shi in the morning. Comrade Xue Ju [5641 7467] was present and spoke at the discussion.

In the discussion, the comrades reflected that they have learned mainly three things from Comrade Qiao Shi's speech. 1) It has made more clear that the party schools' work must serve the party's basic line. Some of the principals said that their understanding on this question was less than complete in the past. Is it right to oppose peaceful evolution? It is. Is it important? It is. The question is how important—whether it is the main issue or a matter subordinate to the basic line. Now it is clear that the main issue is to eliminate the "left" influence and make party school education more conscientiously serve economic development. 2) It has further emancipated the mind and introduced new ideas. Party schools are places of education. Educators should be educated first. To change other people's way of thinking, we must first change our own way of thinking. To emancipate other people's minds, we must first emancipate our own minds. Comparing with Comrade Qiao Shi's speech, we deeply feel that we still have a rather long way to go in emancipating our minds. 3) It has intensified our sense of urgency on reforming the party schools and bringing party school work to a higher new level. Qiao Shi said in his speech: If we let the 1990's slip away, we will not be able to acquit ourselves of our duties to the people and posterity, and if we don't do a good job now, we will be condemned by history. These are sincere words urging us to move forward. We party school workers should take up the important historical task. So long as we work hard, we will be able to run the party schools more successfully.

The comrades had a lively discussion centering on the second part of Comrade Qiao Shi's speech, that is, the matter of implementing the policy of letting one hundred flowers blossom and a hundred schools of thought contend and further enlivening the academic atmosphere in party schools. Several principals held that there are two problems in enlivening the academic atmosphere in party schools. On the one hand, some people do not understand the actual conditions, and their hackneyed lectures are depressing. On the other hand, there are those who have misgivings in ideology and questions they are afraid to talk about. It is imperative to uphold the four cardinal principles, and party schools have always done so. At present, however, we should, on the precondition of upholding the four cardinal principles,

allow teachers to be a little bolder and break new paths. Otherwise, it is very difficult to have a lively theoretical studying atmosphere, which is also demanded by the students. Many students reflected that all the classes which are taught with good results are classes which dare to touch the hot topics in real life.

Comrade Xue Ju pointed out: Comrade Qiao Shi's speech is to encourage all of us to emancipate our minds a little more, be a little bolder, and have the courage to study practical problems in the light of the realities. The stress on unity with the party Central Committee refers mainly to unity with the party Central Committee politically and ideologically. In studying specific problems in the light of the realities, mistakes can be made, but that is permissible, and we should not put labels of one kind or another on people because of it. At present, there are many questions which are not yet understood and still being explored. For example, who can tell us right away what a socialist market economy is all about? We should encourage the teachers to emancipate their minds, study new conditions, and solve new problems, and we should not inhibit them with labels of "capitalism" or "socialism."

Revision of Talks at Yan'an Forum on Literature, Art

93CM0123A Beijing XINHUA WENZHAI [XINHUA DIGEST] in Chinese No 10, 25 Oct 92 pp 125-128

[Article by Guo Yushi (6753 6276 6624) reprinted from WENYI LILUN YANJIU [STUDIES IN LITERATURE AND ART THEORY], No 4, 1992: "On the Additions to, Deletions from, and Revisions of the Original in the Current Version of the Talks at the Yan'an Forum on Literature and Art"]

[Text] It is now half a century since Comrade Mao Zedong gave his famous Talks at the Yan'an Forum on Literature and Art. These Talks were first officially published in Yan'an's JIEFANG RIBAO [LIBERATION DAILY] on 19 October 1943, and I have kept in my library a separate edition of them that was typeset and published before our national liberation, in which the following note is written inside the front cover: "published in LIBERATION DAILY on 19 October 1943." As Comrade Mao Zedong had given these talks in May 1942, why was it that they were officially published only the next year, and then on the specific date of 19 October? This was because the version of the Talks that was in circulation after the Yan'an Forum on Literature and Art was only the restricted edition that had been printed and distributed, and was certainly not the public, official publication, and that 19 October 1943 just happened to be the seventh anniversary of the passing of Mr. Lu Xun. So the Party Central Committee's decision to officially publish the Talks in that particular day's edition of Yan'an's LIBERATION DAILY showed that the party and the people sincerely cherished the memory of

Lu Xun, as well as illustrating Comrade Mao Zedong's closeness to the thinking of this great writer, thinker, and revolutionary.

While this officially published pre-liberation edition that I have kept was crudely printed and bound on poor quality paper, it was one of the first works of revolutionary advances that I ever came in contact with, enabling me to understand much knowledge and truth about and far beyond the field of literature and art that I had certainly not understood before the year in which I read it, so that I have preserved it all these years with a certain sense that it is a treasure. Leafing through it again recently, I was still touched by it. I believe that comrades who read and compare it to the current version of the *Talks* will certainly find that while there is certainly no change in the overall makeup and basic content of the two versions, today's version does contain quite a few additions to, deletions from, and revisions of certain particular details of the original. Understanding this and considering certain issues involved can enlighten and teach us lessons.

I

I will now give examples of the additions to, deletions from, and revisions of the original version in the current one.

Additions When speaking of "who our literature and art are for," the original version of the *Talks* said that "this matter seems to have already been settled by the comrades engaged in literature and art in our various base areas in the War of Resistance Against Japan, so that no more needs to be said about it." But after "this matter," today's version of the *Talks* adds the following section: "...is one that was settled long ago by Marxists, particularly Lenin, who had emphatically pointed out in 1905 that our literature and art should serve the thousands upon thousands of working people."

These words of Lenin that have been added to today's version of the *Talks* were spoken by Lenin in an article entitled *Party Organization and Party Literature*. When speaking of proletarian literature, this article said that "it is not to serve upper-class women who spend their days eating and drinking, or the tens of thousands of superiors who are bored to death and worried about getting fat, but rather the thousands upon thousands of working people." This quote from Lenin added to Comrade Mao Zedong's talks better emphasizes the class nature and service orientation of revolutionary literature and art, while better emphasizing that the matter of who literature and art are for is not a minor one, but rather one of key principle that Marxists must settle correctly.

Deletions When discussing the relations between literature and life, the original version of the *Talks* contained the following section: "While the natural form of literature and art is the only ideological source of literature and art, being incomparably more rich and vivid in content, why is it that people are still dissatisfied with the natural form and demand ideology? This is because

while the two may both be similar in content, ideologically-refined literature and art is certainly more organized, focused, typical, and idealistic than the natural form, so is more universal. While the living Lenin was many times more rich and vivid than the Lenin in novels, plays, and movies, the living Lenin had too much to do from morning to night, including much that was completely the same as others were doing, while very few people could actually see him, and no one could after he died. In this sense, the Lenin in novels, plays, and movies was better than the living Lenin." This section can be divided into two parts separated by "the living Lenin." Today's version of the *Talks* revises and supplements the first part, deleting the original unclear terms of "the natural form of literature and art" and "ideological literature and art," revising the first sentence to say "while human social activities are the only source of literature and art," changing "the two may both be similar in content" to "the two may both be good," and adding to "ideologically-refined literature and art is certainly more organized than the natural form" that "the lives reflected in works of literature and art certainly can and should be of a higher and more intense nature than ordinary real lives." Once the first part is so added to and revised, making it more theoretically full and accurate than the original version, it can be seen that it is no longer necessary to keep the second part after "the living Lenin," and that its "the Lenin in novels, plays, and movies was better than the living Lenin" no longer seems to be very appropriate, so that the whole second part of the original version was deleted.

Revisions When discussing the matter of "the theory of human nature," the original version of the *Talks* contained the following section: "There is only particular human nature, with class society having human nature of a class character, but no abstract human nature that transcends class. We stand for a proletarian human nature, while the bourgeoisie and petty bourgeoisie stand for a bourgeois and petty bourgeois human nature, which they do not call what it actually is, but rather say that it is the only kind of human nature." Today's version of the *Talks* revises this section as follows: "There is only particular human nature, but no abstract human nature. Class society contains human nature only of a class character, but no human nature that transcends class. We stand for a proletarian human nature of the masses, while the landlord and capitalist classes stand for a landlord and capitalist class human nature, which they do not call what it actually is, but rather say that it is the only kind of human nature. The kind of human nature advocated by some petty bourgeois intellectuals is divorced from or in opposition to the masses. As their so-called human nature is actually nothing but bourgeois individualism, they do not regard proletarian human nature as human nature at all."

In comparing these two versions, we can see that today's version of the *Talks* makes major revisions of the original version. Today's version revises the original "bourgeoisie and petty bourgeoisie" to say "landlord and

capitalist classes." On one hand, it was necessary to add "landlord class" in front of "capitalist class," as everyone knows that in China the landlord class had many versions of "the theory of human nature;" on the other, the "petty bourgeoisie" was deleted from "bourgeoisie and petty bourgeoisie," while a special section was added on "the kind of human nature advocated by petty bourgeois intellectuals." These revisions of the original version today greatly enrich and develop the original's contents, particularly by strictly distinguishing "petty bourgeois intellectuals" from the exploiting "landlord and capitalist classes," while distinguishing and judging differently "the kind of human nature advocated by some petty bourgeois intellectuals" and "the landlord and capitalist class human nature," which is a further deepening and particularization of the class analysis of "the theory of human nature." This more detailed and thorough analysis makes the critical analysis of "the theory of human nature" in today's version of the *Talks* more accurate, meticulous, and thorough than that in the original.

The current version of the *Talks* also contains quite a few other additions to, deletions from, and revisions of the original version, such as the following: when discussing ideological works of literature and art, today's version revises the original's "...are all the results of reflection and refinement in the human mind of people's lives" to "...are all products of reflection in the human mind of certain social activities;" when discussing the significance and value of past works of literature and art in the present, today's version of the *Talks* more emphatically points out that "we must carry forward all excellent literary and art legacies, by critically assimilating all useful things in them;" when discussing the motivation and results of literary and artistic creators, today's version revises the original's "social practice is the criterion for judging subjective intention, and the effect of social practice is the criterion for judging motive" to "social practice and its effect are the criteria for judging subjective intention or motive;" when discussing the matter of politics certainly not being the same as art, the original's "a universal worldview is not the same as artistic creation methodology" is revised to "a universal worldview is not the same as artistic creation and criticism methods;" when discussing the political criteria for criticizing literature and art, the original "the proletariat must reject the reactionary political nature of bourgeois literary and art works, by critically assimilating only their artistic quality" is revised to "the proletariat must first examine whether the approach to the people of literary and art works of past ages has historically progressive significance, and then adopt a discriminatory attitude toward them;" when discussing the targets to be "exposed" by revolutionary literature and art, today's version adds to the original "...can only be aggressors, exploiters, and oppressors, but not the masses" that "...can only be aggressors, exploiters, oppressors, and other evil legacies among the people, but not the masses;" the original's "as the people's shortcomings are

mainly the result of their having been ruled by aggressors, exploiters, and oppressors, we revolutionary writers and artists should regard them only as crimes of aggressors, exploiters, and oppressors to be exposed, but not as any expose of the people" is revised to "these shortcomings should be overcome through criticism and self-criticism among the people, with such criticism and self-criticism being one of the most important missions of literature and art. But this should not be referred to as any expose of the people;" when discussing satire, the original's "we must sharply ridicule fascism and Chinese reactionaries" is revised to "we must sharply ridicule fascism, Chinese reactionaries, and all things that are harmful to the people;" the original's question "should we abolish satire?" is closely followed by a new addition that "we should not, because satire will always be needed," and today's version reaffirms after the original's analysis of various types of satire that "while we certainly should not abolish all satire, we must abolish its indiscriminate use;" and when discussing intellectuals integrating with the masses, today's version adds to the original's "intellectuals must integrate with and serve the masses" that "this must be a process of mutual understanding." These revisions also make today's version of the *Talks* more accurate and persuasive.

II

These revisions not only can help us better understand the various editions of the *Talks*, but even more importantly can provide us with certain enlightenment and lessons of rich significance, as I understand it mainly in the following two areas:

1. Our comparison of the various editions makes it obvious to all that the additions to, deletions from, and revisions of the original in today's version of the *Talks* were all necessary and appropriate, and that the discussions in many places in the revised edition are more rich and thorough than those in the original. Meanwhile, these revisions also help us to understand the collectivist spirit of communists in dealing conscientiously with their responsibility toward key works, as well as the scientific approach of the author of the *Talks* in pooling the wisdom of the masses, constantly improving, and seeking truth from facts. Everyone knows that Comrade Mao Zedong pooled two speeches at that forum on literature and art, one being the *Introduction* given on 2 May 1942, and the other the given on 23 May 1942. Around the time when he was giving these two speeches and having them officially published in *LIBERATION DAILY*, as he discussed them more than once with others, directly and indirectly assimilating many ideas and suggestions from comrades and friends, we can reasonably say that the *Talks* are not only a historical product, but also to a certain extent one that reflects collective creation. I believe that our current study of the *Talks* should teach us first the party's fine traditions and Comrade Mao Zedong's revolutionary spirit and scientific approach. Like him, comrades engaged in literary, art, and theoretical work should see literary creation and artistic criticism as extremely important undertakings

for the people, so should pay them extra attention and carry them out more conscientiously. Like him, they should combine individual intellect and creativity with mass wisdom and creation in both theory and practice, constantly search for the truth through their own works, criticisms, studies, and discussions, and strive to better set forth this truth;

2. The additions to, deletions from, and revisions of the original edition of the *Talks* in today's version teach us again that Mao Zedong Thought, including that on literature and art, is certainly not rigid and unchanging, but rather develops along with changing times and social conditions, of which the development of the *Talks* from the original to today's version is a vivid historical example. It is thus obvious that in dealing with Comrade Mao Zedong's works, including the *Talks*, we should and can take only an approach of adherence along with development.

How Marxists should correctly deal with the historical legacy of past Marxist works is a very important matter in both theory and practice. As a dialectical and historical materialist, Comrade Mao Zedong had clearly pointed out as far back as 1937 in *On Practice* that "Marxism-Leninism is certainly not the end of truth, but rather the path for a constant opening up to new understandings of truth through practice." Later, when speaking of how to deal with Marxism in his 1957 *Talks at the Chinese Communist Party's National Propaganda Work Conference*, while he emphatically criticized at the time the revisionist deviation of denying the basic principles of Marxism, he still under those conditions severely criticized dogmatism, opposing "the use of the metaphysical viewpoint to deal with Marxism, which regards it as a dead thing." Moreover he set forth in theory the inexorable law that Marxism must develop onward as follows: "Marxism certainly must develop onward, developing along with developing practice instead of stagnating. Stopping at the same old conventions would lose it its very lifeblood."

While we of course must adhere to the *Talks* revolutionary spirit and progressive orientation, their dialectical and historical materialist stands, and the Marxist worldview and methodology that permeates them, we must also remember well that they say that "we are Marxists, and Marxism demands that we deal with matters not through abstract definitions, but rather in the light of objective existing realities, and that we search out principles, policies, and methods through analyzing these realities." For instance, our proposal of a "dual-orientation" principle for literature and art in the new historical stage of socialism cannot be understood as meaning either that the *Talks* are "outdated" or that we have "deviated from" them, but rather means that we are conforming to their basic spirit, as well as to the proper principle of approach to them of adherence along with development.

Using metaphysical ideological methods to deal with theoretical matters leads to regarding Marxism as a dead

thing that cannot be developed, while making certain concepts absolutely antagonistic. For instance, service to the workers, peasants, and soldiers used to be synonymous with service to the people. The end of the original version of the *Talks* contained a section expressing hopes and encouragement for writers and artists, which included the sentence "...that they certainly will be able to create many excellent works that are warmly welcomed by workers, peasants, soldiers, and the masses," while today's version deletes the four words of "workers, peasants, soldiers, and" to say "...that they certainly will be able to create many excellent works that are warmly welcomed by the masses." This forcefully illustrates that while the *Talks* of the 40's repeatedly emphasized "for workers, peasants, and soldiers," this certainly did not exclude "for the masses," as Comrade Mao Zedong had pointed out very clearly at the time that "all of our literature and art is for the masses, primarily for workers, peasants, and soldiers." Comrade Mao Zedong's emphasis at the time on "creation for the use of workers, peasants, and soldiers" grew out of the particular war setting of the time and the historical environment and conditions in the base areas, in which he saw workers, peasants, and soldiers as the major components of the masses. But in light of the changed historical climate and conditions of the times, the later version of the *Talks* considers literature and art "for the masses" to be more complete, developed in implication, and richer than "for workers, peasants, and soldiers," in that workers, peasants, and soldiers are included in "the masses," so that it only retains the words "the masses" out of the original's "workers, peasants, soldiers, and the masses."

In essence, our current "dual-orientation" principle is consistent in basic spirit and orientation with the original *Talks'* stand that literature and art should help the people's revolutionary cause, by serving workers, peasants, soldiers, and "the thousands upon thousands of working people." The "dual-orientation" principle is one proposed by our party based on the needs to adhere to the basic principles of Marxism and its revolutionary orientation toward literature and art, by listening to the sounds of new ages and facing up to new realities, which is a precise and vivid example of adhering to along with developing the *Talks* and Mao Zedong Thought on literature and art. As practice has proved that the "dual-orientation" principle is one with more widespread appeal and vitality, this principle will be better able to guide China's literature and art onto a more flourishing and broader path.

Evaluation of 14th Party Congress

Jiang Zemin Not Devoted

93CM0039A Hong Kong TANGTAI
[CONTEMPORARY] in Chinese No 19, 15 Oct 92
pp 11-12

[Article by Fang Qiang (2455 1730), Critique No. 1 of the Report of the 14th Party Congress: "Jiang Zemin Does Not Have A Strong Conviction in Reform—

Seeking Only To Balance Deng's and Chen's Concepts and Not Seeking Any Breakthrough"]

[Text] The report of the 14th Party Congress is the first political report delivered by Jiang Zemin since he became the general secretary. Beijing intellectuals use the following remarks to describe this report: "Zhao Ziyang handed in his heart and Jiang Zemin fulfilled an assignment," meaning that when Zhao Ziyang submitted the report of the 13th Party Congress, the communist party was sincere and eager to carry out reform after deeply realizing its own mistakes (and the flaws of the system). Because of this, when the 13th Party Congress analyzed the mistakes of the Communist Party of China (CPC) and set forth reform plans, it was in-depth and specific, like laying bare its heart to the people. By the time Jiang Zemin submitted the report of the 14th Party Congress, the CPC as a whole took a giant step backward in its reform conviction due to the influence of domestic and foreign factors such as the "June 4th Incident" and the "Soviet East Bloc Disturbance." Under these backgrounds, Jiang Zemin was merely "fulfilling an assignment" when he submitted the report.

After reading the report of the 14th Party Congress, the general impression of the people was that Jiang Zemin personally did not have a strong conviction in the reform. Although the political report was a collective product of the politburo, it was after all written under the direction of the general secretary and published in the name of the general secretary, so it cannot but reflect the personal disposition, ambition, and attitude of the general secretary. Unfortunately, Jiang Zemin, perceived by the people from this report, is one who "seeks only to balance the concepts of Deng and Chen and does not want to make any breakthrough."

Putting Many Restrictions on Deng Xiaoping's Speech

If Jiang Zemin himself had a strong conviction in reform, he should not have regressed from the standard of the 13th Party Congress. After the "June 4th Incident," Deng Xiaoping said on several occasions that the entire report of the 13th Party Congress must not be changed, not even one word. The report of the 14th Party Congress did not revise the report of the 13th Party Congress, but many distinct reform ideas and concrete measures laid out in the report of the 13th Party Congress are nowhere to be found in the 14th Party Congress (see "Clique No. 3" for detail). If Jiang Zemin had a strong conviction in reform, he should not have regressed from the basis laid by Deng Xiaoping's southern tour speech. In the report of the 14th Party Congress, Jiang Zemin quoted Deng Xiaoping's southern tour speech on several occasions, but he did not forget to use conditional words on every quote. As a matter of fact, he put some restrictions on Deng Xiaoping's speech. Take for instance:

1. The Capitalist-or-Socialist Dilemma

On the one hand, the report of the 14th Party Congress quotes Deng Xiaoping's southern tour speech by saying

that "we should not let the abstract capitalist-or-socialist debate hamper our thinking and action. On the other hand, the report of the 14th Party Congress, when discussing the market economy, clearly points out that China's market economy is linked to basic socialist systems and that this point is proved from the angles of ownership structure, the distribution system, and the state macroeconomic regulation and control. It also clearly announces that the market economy established under socialist conditions should and completely can operate better than one under capitalist conditions. This in fact affirms Deng's speech in an abstract way but negates Deng's speech in reality, indicating reluctance to give up the capitalist-or-socialist debate.

2. Regarding Planning and Market

The report of the 14th Party Congress clearly points out the need to establish a socialist market economy, but it also states that the market should play a fundamental role in the distribution of resources under the socialist macroeconomic regulation and control. This in fact shows that Chen Yun's birdcage economic theory is still playing a role. The only difference is that the small birdcage is replaced with a slightly bigger one.

3. Regarding the Issue of the Rectification and Improvement Campaign and Economic Development

The rectification and improvement campaign was carried out basically in accordance with Chen Yun's way of thinking. In his southern tour speech, Deng was clearly dissatisfied with the rectification and improvement campaign, saying that "it was conducive to better carrying out reform and construction."

Regarding the speech of economic development, the report of the 14th Party Congress points out that average annual GNP growth will be raised from the previous 6 percent to 8-9 percent. This is an obvious reflection of Deng's idea. It also includes some of Chen Yun's ideas, however: "We also need to pay attention to what we are capable of and do a good job in overall balancing. We should not rush headlong into mass action when we talk about development and follow the same old route where we ignore efficiency, compete with ourselves, blindly seek to start new projects, and indiscriminately expand capital construction." These remarks are almost all typical ideas of Chen Yun. In fact, they are direct criticisms of accelerated development. Anyone who is familiar with Chinese politics can detect the overtones. Jiang Zemin did something desirable, that is to reiterate the idea of avoiding mainly "leftism."

The report of the 14th Party Congress points out that it is necessary to guard against "rightists" within the party, especially among leading cadres, but efforts should be focused mainly on avoiding "leftism." He quotes Deng Xiaoping's opinion in its entirety: The main expression of "leftism" is to negate reform and opening up. Leftists think that the main danger of peaceful reform comes from the economic realm. They even use the concept of "regarding class struggle as the key link" to attack the

center of economic construction. Jiang Zemin also proved the pernicious influence of leftism from the angle of historical lessons. He said: Errors occurred during the course of socialism in the 20 years following 1957 are mostly "leftist" mistakes, so we can come to the conclusion that leftism can also destroy socialism.

Compared to the language used in the report of the 13th Party Congress, "overcoming ossified thinking will be the main task for a fairly long period of time," the above remarks are more clear, concrete, and in-depth.

From the surface it looks like that Deng's four major ideas—namely the market economy, opening further to the outside world, focusing mainly on avoiding leftism, and abandoning the capitalist-or-socialist debate—are all confirmed by the report of the 14th Party Congress, but after a little analysis, one would find that many restrictions are placed on these ideas and that most of Chen Yun's beliefs are also included in the report.

This approach of Jiang Zemin, who tries in every way to balance Chen's and Deng's ideas, is perhaps an exact reflection of the historical limitation that Deng himself has failed to thoroughly oppose leftism and carry out an all-round reform (namely including political reform).

Reform Witnesses Progress, Retrogression

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[CONTEMPORARY] in Chinese No 19, 15 Oct 92 pp
13-14

[Article by Jiang An (3068 1344), Critique No. 2 of the Report of the 14th Party Congress: "Economic Reform Witnesses Progress and Retrogression—the Report of the 14th Party Congress Shows That the Economic Reform Had More Progress Than Retrogression, Reflecting Deng Xiaoping's Spirit of 'Being A Little Bolder'"]

[Text] With regard to economic reform, the report of the 14th Party Congress shows some progress and retrogression when compared to the report of the 13th Party Congress. The progress cannot be separated from the development of the reform carried out after the 13th Party Congress and before the "June 4th Incident" or from the fresh momentum of the reform seen in the last few months. The retrogression reflects the compromise of reformers and conservatives and the basic understanding and attitude of the writers of the report toward reform.

Main Aspects of Progress

First, clearly understanding the concept of market economy.

The writers of the report of the 13th Party Congress clearly understood the concept of socialist market economy, but it took into consideration of the ability of the party as a whole to accept such an idea, so it still adopted the old wording of "a planned commodity economy." The report of the 14th Party Congress takes one step forward from this basis. It clearly defines

China's economy as "a socialist market economy." In spite of several restrictions placed by the report, admitting this point is bound to cause readjustments in many fields. It will inevitably play a role in defining orientations for deepening the economic reform. Its significance must not be underestimated.

Second, demanding for the first time that ownership boundaries be eliminated and that multiple economic factors be allowed to enter the market. The report points out: "Multiple economic factors may carry out various forms of integrated management. State-owned and collective enterprises as well as other forms of enterprises may all be allowed to enter the market. State-owned enterprises should develop their advantage through fair competition." An important consequence of eliminating ownership boundaries is that it may cause other economic factors to take over state-owned economic entities although the main wish of the report is to develop the advantage of state-owned enterprises."

Third, showing more enthusiasm for the share-holding system. When talking about the share-holding system, the report of the 13th Party Congress is more cautious, contending that the share-holding system is a way of organizing the assets of socialist enterprises and that it may be carried out continuously as an experiment.

The report of the 14th Party Congress states that the share-holding system is conducive to separating government from enterprises, changing the operational mechanism of enterprises, and pooling social funds, so it should be carried out vigorously in selective units to gain experience. Efforts should be made to formulate relevant laws and regulations to help develop the system in an orderly and sound manner. This is closely related to the market economy because enterprises adopting the share-holding system is an important condition for the switch to a market economy. Most former Soviet East Bloc nations proceed from this when they switched from a planned economy to a market economy. What is of direct significance is that developing the share-holding system may change the equity structure of different economic factors. In other words, the property right of a certain enterprise may belong to shareholders of different economic factors.

Fourth, having a new understanding of the tertiary industry.

When the 13th Party Congress was held in 1987, the people's understanding of the tertiary industry remained at the scope of trade and household service. Because of this, the report of the 13th Party Congress did not break through this limit and failed to attach importance to the tertiary industry which it deserved. Instead, it talked about it only briefly. Today the people have a new understanding of the tertiary industry. The report of the 14th Party Congress points out that the prosperity and development of the tertiary industry is an important characteristic of a modernized economy. Accelerating the development of the tertiary industry in China

including commerce, banking, insurance, legal and accounting services can help accelerating the growth of market, increasing economic efficiency and returns, providing convenience for and enriching the people's life, opening up avenues for employment, and creating conditions for the readjustment of economic institutions and the change of enterprise mechanism. The report points out that we should strive to increase the proportion of the tertiary industry in GNP from the current 2.7 percent to 4 percent by the end of this century.

Fifth, expanding the scope of opening up.

This includes two aspects:

One is expanding the scope of open regions. The report of the 14th Party Congress points out that in addition to the original coastal open cities and coastal open zones and special economic zones, we need to further open up border cities and speed up the tempo of opening up in inland provinces and autonomous regions. The report also discusses in concrete terms how to further open up cities along the Changjiang river with Pudong of Shanghai taking the lead in opening up. It points out the need to speed up the opening up and development of Guangdong, Fujian, Hainan, and regions surrounding the Bohai sea.

The other is expanding the scope of internal aspects. This refers mainly to opening up areas where foreign capital was not allowed or restricted. The report points out that it is necessary to properly guide foreign investment to the areas of banking, commerce, travel, and real estate. Among them, the opening up of the banking field is of particularly great significance.

To ensure further opening up to the outside world, the report also sets forth new important measures: establishing as soon as possible a new foreign trade system that conforms to international trade standards; giving qualified industrial and commercial enterprises and scientific and technological units the right to make their own decisions in foreign trade; and vigorously expanding the foreign investment and transnational management of Chinese enterprises.

Regarding the Retrogression

First, regressing from the 13th Party Congress in the area of ensuring the decision-making power of state-owned enterprises. The report of the 14th Party Congress does not correct the practice which was reinstated during the rectification and improvement campaign to allow the government to appoint factory directors and enterprise party committees to again participate and make decisions in enterprise management and policy-making process. Nor does it uphold the policy of separating ownership from management set forth by the 13th Party Congress. The report of the 13th Party Congress states: In state-owned enterprises, we should separate ownership from management and ensure that the management right is really in the hands of enterprises. This can be done in different ways, but we have to make sure that the

relations of rights, responsibilities, and profits between the state and the enterprise, and between the ownership and the management of enterprise are specified in the form of a contract, that qualified managers are selected through competition, and that the factory director and manager responsibility system is implemented. Before the share-holding system can be implemented in large- and medium-sized state-owned enterprises (this will take a long time to accomplish), only by implementing the policy of separating ownership from management set forth by the 13th Party Congress can we ensure that enterprises have the right to make their own decisions.

Second, regressing in handling the property rights of small state-owned enterprises. The 13th Party Congress points out: The property right of some small state-owned enterprises may be sold to collectives of individuals. This is a complete method to change the ownership of property rights. But the report of the 14th Party Congress states: The management right of small state-owned enterprises may be rented or sold to collectives or individuals. Here it only mentions management right but not property right or ownership. This obviously is a retrogression.

Third, failing to make a clear promise to protect the legal interests of the private economy. The 13th Party Congress clearly affirmed the policy of protecting the legal interests of the private economy. Today the private economy and the foreign-funded economy have made much greater development. It is obvious that "neglecting" this point now is not conducive to accelerating the growth of the private economy and foreign investment. Especially in the past two years when the "anti-peaceful change" movement was in full swing, the ultra-leftists considered the individual economy as the economic basis for "peaceful change" and General Secretary Jiang Zemin even uttered the shocking remarks of "making individual economic households go broke." Under this circumstance, the people cannot afford to underestimate this "neglect."

Fourth, regarding the distribution system. Although it mentioned the need to "gradually establish a wage system and a regular wage increase mechanism in accordance with the individual characteristics of enterprises, institutions, and government organizations, the 14th Party Congress did not insist on the legality of various forms of passive income acknowledged by the 13th Party Congress. The 13th Party Congress points out: Interests accrued on creditors' right, stock dividends, income and risk compensations of enterprise managers, passive income of private business owners derived from their employees should be allowed as long as they are legal. This kind of non-labor remuneration has become more and more common.

Retrogression of Political Reform

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[CONTEMPORARY] in Chinese No 19, 15 Oct 92 pp
15-16,12

[Article by Zheng Li (6774 3810), Critique No. 3 of the Report of the 14th Party Congress: "Total Retrogression

in the Political Reform—Failing To Come up With A Scientific Explanation for the Cause of Corruption, the 14th Party Congress in Fact Avoided the Essence of Contradiction, Making It Impossible for Strict Punitive and Preventive Measures To Be Effective”]

[Text] When compared to the report of the 13th Party Congress, the report of the 14th Party Congress shows total retrogression in the political reform due to the following reasons: The chief designer of the reform insists on a model of reform that advocates economic decontrol and tight political control; the final conclusion of the June 4th Incident still remains unchanged; the drastic changes occurred in the “Soviet East Bloc” are treated with a one-sided approach; the anti-peaceful change policy remains a fixed one; and the post-June 4th political environment is still tense.

Failing To Admit That the Current System Has Major Defects

Only by admitting that the current system has major defect can we possibly carry out reform. The report of the 13th Party Congress points out: “The current political system of China emerged during the years of revolutionary wars and was basically established during the period of socialist transformation. It was developed during large-scale mass movements and a period when command-plans were strengthened continuously. It is not suitable for carrying out modernization under peaceful conditions or for developing the socialist commodity economy. It has many major defects which are manifested mainly as over-centralization of power, serious bureaucracy, and pernicious vestige of feudalism.” Deng Xiaoping made similar remarks in early 1980’s but has since changed his mind about this. The report of the 14th Party Congress, in particular, does not even mention a word about this.

Without such a basic understanding, how can we talk about “vigorously carrying out the reform of political system” which was put forward by the 14th Party Congress? It can only be an empty talk.

Negating the Primary Issue of Separating the Party From the Government

On the basis of the above analysis, the 13th Party Congress considered separating the party from the government as the primary issue of political reform: “The key to the reform of political system is to first of all separate the party from the government.” This is a remark that really hit home regarding the political reform. The 13th Party Congress also discussed the basis and measures for separating the party from the government. It emphasized: “The party should operate within the scope of the constitution and law, guarantee full functions for government organizations, fully respect, instead of taking over, the work of mass organizations and business units, draw a clear line between the functions of party and government organizations, and

smooth out various relations to ensure that each performs their own duties and gradually become institutionalized.”

Because of this, the 13th Party Congress considered this reform an important aspect of separating the party from the government—namely solving the problem that “power is overcentralized in party committees and upper-level leading organs.”

The report of the 14th Party Congress clearly states: “Any view or act that doubts, weakens, or negates the ruling status and leading role of the party is fundamentally erroneous and extremely harmful.” This in fact is an open denial of the policy of separating the party from the government. As for the issue of delegating further power to lower levels, it does not even mention a word.

The Purpose of Political Reform Is Only To Maintain Stability

This is the boundary of political reform set by the 14th Party Congress. The report points out: “In the next five years we should make marked improvement in broadening democracy and perfecting the legal system so as to develop a stable social and political environment and ensure that economic construction, reform, and opening up are carried out smoothly.” Here democracy and legal system are only a facade, the essence is stability. The 13th Party Congress pointed out that the objective of political reform is to “create a political democracy that is higher and more practical than that of developed capitalist nations.” By comparing the two, we can tell that the 14th Party Congress used democracy as a means, namely a tool to maintain stability. If it is not conducive to the so-called stability, this tool may be abandoned or at most its name will be preserved for propaganda purposes. In contrast, the 13th Party Congress regarded democracy as an objective, namely an objective to be achieved by the reform of political system. A means can be abandoned any time, but an objective is of fundamental and directional importance. It is precisely because of this that the 13th Party Congress was able to set forth a series of policies and measures for the promotion of democracy while the report of the 14th Party Congress is able to present nothing with substance.

The Policy of Political Reform Is Without Substance

Because the only purpose of the 14th Party Congress is to maintain stability and because it refuses to admit that the current system has major defects, its report lacks substance in regard to the political reform.

Although the report of the 14th Party Congress mentions the need to “vigorously carry out the reform of political system to bring about substantial improvement in democracy and the legal system,” it fails to adopt any concrete measure. It is only officialese, forming such a strong contrast as compared to the report of the 13th Party Congress.

First, the report of the 14th Party Congress states: "It is necessary to make further efforts to perfect the people's congress system, strive to improve the election system, and strengthen various functions of the people's congress and its standing committee." But it does not state how to do it. The 13th Party Congress, in contrast, states: "It is necessary to improve the organizations of the National People's Congress and its standing committee and gradually replace older members with younger ones while taking steps to make the position of standing committee member a full-time one. It is necessary to perfect the meeting rules and procedures for the standing committee and special commissions of the National People's Congress." With regard to the election system, the 13th Party Congress pointed out: It is necessary to fully respect voters' wishes, ensure that they have choices, improve the method of nominating candidates, perfect the method of introducing candidates, and uphold plurality election according to law.

Second, the report of the 14th Party Congress states: It is necessary to make marked improvement in broadening democracy and perfecting the legal system in the next five years. But it does not provide any elementary explanation for its content. The 13th Party Congress, in contrast, clearly pointed out: "The essence and crux of democracy is allowing the people to become their own master and to really enjoy various civil rights and rights to control the state, enterprises, and other institutions." It also put forward several concrete measures including establishing a social consultation and dialogue system, implementing the principle of publishing political affairs, and strengthening civil rights and legislation.

Third, the report of the 14th Party Congress mentions the need to attach importance to the public supervision of the media but fails to state how to do it. The 13th Party Congress, in contrast, pointed out in specific language that we should step up our efforts to formulate the law of news publication because without legal protection of such a law, it is very difficult for the media to exercise the function of supervision.

Avoiding Essential Issues Regarding Inner-Party Democracy

The 13th Party Congress pointed out that "using inner-party democracy to gradually promote democracy among the people is a feasible and effective way to develop socialist democratic politics." Based on this profound understanding, the 13th Party Congress set forth reform measures regarding the crucial issues of inner-party democracy: "We should establish a system where the standing committee of the Central Politburo regularly reports to the Central Politburo, and the Central Politburo regularly reports to the Plenary Session of the CPC Central Committee; properly increase the number of sessions convened by the CPC Central Committee each year to enable the Plenary Session to do a better job in collective policy-making; and establish work procedures and a regular meeting system for the

Central Politburo, the standing committee of the Politburo, and the Central Secretariat to institutionalize collective leadership and strengthen the supervision and restraint of party leaders." This is the first plan for the reform of inner-party democracy in the history of the CPC.

The report of the 14th Party Congress does not acknowledge any of these feasible and extremely necessary reform principles. Instead, it regards "broadening and unclogging inner-party democratic channels to allow party members to reflect their opinions, suggestions, and criticisms to upper levels in a timely manner" as the main measure for developing inner-party democracy. This obviously has avoided the essential issue of inner-party democracy which lies in the democratic construction of the highest level of policy makers. The report of the 14th Party Congress also emphasizes particularly "that every party member, especially leading cadre, must voluntarily safeguard the unity of the party and the authority of the central government." This authority is not subject to any supervision and restraint, however.

The Anti-corruption Campaign Fails To Focus on Crucial Issues

On this issue, the report of the 14th Party Congress is just as backward as that of the 13th Party Congress. This is manifested mainly as the fact that the 13th Party Congress used the theory that "unrestrained power must become corrupt" as the basis for explaining the cause of corruption while the 14th Party Congress did not even mention the system cause of corruption. The 13th Party Congress pointed out that as a ruling party, our party must be able to withstand the test of government, and that as a leader of reform and opening up, our party must be able to withstand the test of reform and opening up. Both governing and leading are power. It is such power that creates the conditions for corruption and abuse of authority to seek personal interests. The view of the 13th Party Congress on the two tests indirectly reflects the need to contain power. At the same time, the political reform principles and measures set forth by the 13th Party Congress were to a certain extent for the purpose of effectively containing and regulating power.

The 14th Party Congress does not acknowledge the view of the two tests, nor does it provide any scientific explanation for the cause of corruption. In fact it avoids the essence of contradiction. Because of this, the talk of the 14th Party Congress on severe punishment for corruption can only serve the purpose of a minor propaganda. Without reforming the political system and without forming a power containment mechanism, it is very difficult to severely punish or prevent corruption.

Biodata on New Secretariat Member Ren Jianxin

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[WIDE ANGLE] in Chinese
No 242, 16 Nov 92 pp 42-47

[Article by Hsu An-i (1776 1344 5030): "The Newly Appointed Secretary of the CPC Central Committee, President of the Supreme People's Court, Ren Jianxin (0117 1696 2450)"]

[Text] The swift promotion of Ren Jianxin by the 14th CPC National Congress to the position of CP Central Committee Secretary has attracted general attention. What kind of a man is Ren Jianxin?

Ren Jianxin Started in the Student Movement; Threatened by Arrest, Moved Into the Liberated Area

How did Ren Jianxin, a university student majoring in chemical engineering, become secretary in the CPC Central Committee Secretariat and later also China's "chief justice"?

Ren Jianxin was born in August of 1925 in Xiangfen County of Shanxi Province. The young Ren Jianxin was bright and studied assiduously. At age 21, in 1946, he passed the entrance examination to the College of Engineering of Beijing University, to study chemical engineering. In 1948, he secretly joined the CPC and was elected director of the Students' Association for Self-Government at Beijing University. He engaged in underground work and became a major organizer in the student movement at that time.

On 19 August 1948, the Kuomintang Government published a list of leaders of the student movement—which included Ren Jianxin—to be arrested. However, the CPC Central Committee notified him and asked him to remove himself quickly to the liberated area, thus to save himself for the needs of future revolutionary work.

Working With Dong Biwu [5516 1801 2976], Employed as Secretary of the General Office of the Committee of Political Science and Law

After his departure from Beijing University and his safe arrival in the liberated area, he was just in time to see the establishment of the North China People's Government, which was in urgent need of qualified men to fill government positions. In a process of selection, Ren Jianxin was assigned work in the secretariat of the North China People's Government. At that time, Dong Biwu was chairman of the said government, and it is from that time on that Ren Jianxin worked in secretarial positions under Dong Biwu.

Ren Jianxin remembers to this day that when the party organization at that time asked him in for a talk, they said we shall soon fight our way back into Beijing. His desire at that time was still to help in the building of New China as a chemical engineer.

Future developments unfolded very quickly, and within a short time, Beijing was liberated peacefully. After the establishment of the Central People's Government, Dong Biwu became vice premier of the State Council and concurrently chairman of the Committee of Political Science and Law, while Ren Jianxin followed Dong Biwu into this committee as secretary of its general office. From that time on, he has had no further opportunity to fulfill his dream of becoming a chemist. Even though he

was several times promoted in his position, Ren Jianxin never again left the field of Chinese law, in which field he served for 44 years.

It was precisely the tempering during these 44 years that made it possible for him to become president of the CPC's Supreme People's Court and secretary in the Secretariat of the CPC Central Committee.

From 1949 to 1954, Ren Jianxin was secretary of the General Office of the Central Committee of Political Science and Law, as well as secretary of the Central Committee for the Legal System.

From 1954 to 1959, he was secretary of the Bureau of Legislative Affairs under the State Council.

Drafting Important Chinese Legislation at Age 28

Ren Jianxin can never forget the experience of his participation in the drafting of the first set of state laws.

It was in 1953, only 28 years old, that he took on the heavy burden of drafting in detail the "General Rules Governing the Provisional Organization of People's Mediation Committees." Ren Jianxin has been going down to the grassroots units, has widely sought contacts with those engaged in legal work and with the masses, and has pursued investigations and studies. After his return to Beijing, he published a long article in the PEOPLE'S DAILY entitled "Strengthen Mediation Work, Impart More Mass Character to Judicial Work," and solicited the opinions of experts. It was after that that he began to draft the mentioned "General Rules." In March of 1954, the "General Rules" were officially promulgated and from then on became the unified legal basis for mediation work launched throughout China. Once the norms of the "General Rules" were in place, people's mediation organizations shot up in great numbers in all urban and rural areas of the country, promptly mediating disputes among the people and dispelling contradictions right at the start, and in this respect played a role that no other organization could replace. Many high-ranking foreign law experts admired the Chinese people's mediation system and praised it as a notable "experience of the East."

President of the Supreme People's Court at Age 62

From 1959 to 1966, Ren Jianxin had been section chief, then department head in the China Council for the Promotion of International Trade. From 1966 to 1971, during the "cultural revolution," he stepped aside and was later sent to the May 7 Cadre School to do manual work. From 1971 to 1981, he was section chief, later head, of the law department of the China Council for the Promotion of International Trade. From 1981 to 1983, he was deputy chairman of the China Council for the Promotion of International Trade, and deputy secretary of its party organization.

In June of 1983, he was appointed vice-president of the Supreme People's Court. When asked for his opinion, Ren Jianxin frankly admitted: I started out by studying

chemistry and only later engaged in legal work. Comparatively speaking, I am more familiar with legal issues related to foreign trade; could I then be doubtful about continuing in this line of work?

As mentioned earlier, from 1958 to 1983, Ren Jianxin had been at different times chief secretary of the PRC's Foreign Trade Arbitration Commission, chief secretary of the Maritime Arbitration Commission, and vice-chairman of the China Council for the Promotion of International Trade. During this period, he has handled arbitration of many cases involving foreign economic relations and trade, maritime affairs, and maritime commerce. He also was consultant to many government agencies on legal questions in connection with foreign economic relations and trade, and participated at the same time in the drafting of a set of important laws and regulations concerning foreign trade and economic relations. The fact that he had in due course become a renowned expert in Chinese legal circles, and that he had made valuable contributions and added quite a few achievements to his credit, brought him the promotion to vice-president of the Supreme People's Court and member of the Judicial Committee.

After a further five years, in April of 1988, at the First Session of the Seventh National People's Congress, Ren Jianxin, at age 62, was nominated president of the Supreme People's Court and secretary of its party organization, also member and chief secretary of the Central Political and Legal Leadership Team, thus becoming "chief justice" of a great country, inhabited by one-fifth of the world's population.

Establishing China's System of Intellectual Property Rights

Ren Jianxin has contributed in many different ways to the legal system, and one of these was his outstanding contribution in establishing the three pillars of intellectual property rights.

Ren Jianxin could not avoid being assailed during the "cultural revolution." In 1971, he returned to his position in the legal department of the China Council for the Promotion of International Trade. At that time, there were only four or five persons in that department, as it was a department that was given little attention. But as he felt that Chinese law had by then fallen very far behind world standards, his mind was set on drafting the new laws that were needed in China, despite the still very chaotic political situation.

The opportunity finally arrived when, in 1973, Ren Jianxin led a delegation to participate in the conference of the World Intellectual Property Organization (WIPO). At the same time, the Taiwan authorities sent their "ambassador" to the Vatican to the said worldwide conference, whereupon Ren Jianxin took a clear-cut stand in his fight to uphold China's position. In his capacity as head of the Chinese delegation he made it clear to Dr Arpad Bogsch, director-general of the WIPO, that there is only one China and only one representative

of China, that China will have a patent law, trademark law, and copyright law, and that his, Ren's, delegation was the only legitimate representation of China. After three discussions, Bogsch finally explicitly acknowledged that there is only one China, and as a consequence refused to recognize the Taiwan delegation.

The next day, all local papers published the news that the PRC, represented by Ren Jianxin, had participated at the WIPO conference, and at the same time revealed that the Taiwan delegation had left. He was the first official in the history of Communist China to officially attend a WIPO conference. Under the historical conditions of those days, this fact alone already attracted much attention among international legal circles.

Ren Jianxin made good on his promise. After he returned from the conference, he immediately submitted a report to Zhou Enlai, in which he stated that China ought to have a "Patent Law." Thereafter, with his active promotion and participation, the three legal pillars of intellectual property rights were drafted and promulgated.

The new "Trademark Law of the PRC" was promulgated on 23 August 1982, the new "Patent Law of the PRC" was promulgated on 12 March 1983, and the new "Copyright Law of the PRC" was promulgated on 7 September 1990. The Chinese legal system thus became fully effective in the protection of intellectual property rights, and effectively promoted the intensified reform of the Chinese economic structure, promoted China's opening to the outside world, and promoted implementation of the policy of revitalizing the domestic economy.

In a letter to Ren Jianxin, dated 5 December 1991, Bogsch, director-general of the WIPO, by that time under the United Nations, highly praised Ren for his outstanding contributions in the area of Chinese and world intellectual property rights. The letter says:

"If a historian will one day write on the relationship between China and the WIPO, he will undoubtedly record two years as major milestones and of special significance: One is the year 1973, when a Chinese official for the first time officially attended a WIPO conference, and this official was you. This event opened up a new chapter in the history of the development of China's intellectual property rights. The other year is 1991, the year in which the Chinese copyright law went into effect, and with this last of its three pillars, China's intellectual property right laws became complete. The fact that these three pillars have indeed been established and well supported is inseparably linked with your tireless support and help (owed to your efforts)...."

Lifelong Influences on Ren Jianxin by Zhou Enlai and Dong Biwu

Ren Jianxin is an eyewitness to the development of China's legal system. Whenever he happened to speak on the development of China's legal system and his own

experiences, he would always mention the influences on him of Zhou Enlai and Dong Biwu.

Dong Biwu was the man who caused Ren Jianxin to make his career in the legal field. One statement by Dong Biwu had deeply impressed itself on Ren Jianxin's mind: "I am like a piece of cloth; wherever the party needs me as a patch, I will serve as a patch." For a long time, from the campus of Beijing University to the liberated area, from his studies of chemical engineering to work in the legal field, Ren Jianxin has been working in the offices of Dong Biwu. As Ren Jianxin recalled, Dong displayed exceptional energy in his work and was possessed of a vigorous spirit at all times throughout his life. Dong had often said that it is necessary in every type of work to stress maintenance of high standards. From that time on, Ren said of himself: I started a systematic study of the theories of jurisprudence and reviewed the judicial experiences in the liberated area, thus laying the foundation for my future extensive labors in the legal field.

Still fresh in Ren Jianxin's memory are the extreme difficulties to attend international law conferences abroad, that he had experienced at the time when the "gang of four" had been on the rampage. Anyone would then anxiously ask himself, whether to go on such trip or whether rather not to go, and if one were to go, what general and specific policies was one to adopt. Under these circumstances, Zhou Enlai would most courageously not only approve such trips by Ren Jianxin and others, but would also personally examine and approve the three principles put forward by Ren Jianxin for legal work related to international economic relations and trade, namely, upholding the policy of independence and self-determination, implementing the policy of equality and mutual benefit, and conducting all affairs according to international practice. Ren Jianxin said, it is hard to express in words the encouragement and education which he derived at that time, and whenever talk turned to this subject, he became extremely moved.

Directing Formulation of the "Beijing Adjustment Rules"

In the past, China has had no law on maritime insurance adjustments, and average adjustments had to be performed abroad. Ren Jianxin decided to thoroughly change this situation. Under his direction, and through efforts extending over three years, the "Preliminary Rules Governing General Average Adjustments of the China Council for the Promotion of International Trade" (for short: Beijing Adjustment Rules) were formulated. These rules not only greatly simplified the rules that are in international practice, reducing the 30-odd articles to eight articles with distinctive Chinese characteristics, but in this way also made it possible for China to have its own rules of average adjustments from that time on. That happened exactly at the time when the "gang of four" was at its worst in destroying the legal system. It was then also that Zhou Enlai unswervingly supported this type of legal work, and had the "Beijing

Adjustment Rules" finally promulgated in 1975. The event amazed foreigners, who were surprised that there was still law in China.

Judicial Work To Serve Economic Construction

After his appointment to president of the Supreme People's Court in April of 1988, Ren Jianxin proposed at the 14th All-China Conference of Judicial Workers in July of 1988: "The state's judicial organs must exercise their functions to the fullest and must further improve their services according to the principle of 'one center and two basic points.'" He said: "The people's courts, as the judicial organs of the people's democratic dictatorship, must not only crack down on all serious criminal activities and safeguard public security and economic order, but must also, according to law, protect the democratic rights and legitimate interests of the people, adjust economic relations, more directly serve reform and opening to the outside world, and must serve the development of productive forces. All acts that benefit reform and opening up, that benefit development of productive forces, must be protected and supported according to law. All acts detrimental to reform and opening up, detrimental to the development of productive forces, must be opposed and restrained according to law. All acts that endanger reform and opening up, and that are harmful to the development of productive forces, must be fought and punished." He reduced the important tasks shouldered by the law courts to four terse phrases: "Protection of the people, punishment of crimes, promotion of reform, service to the four modernizations."

From 1988 to the end of 1991, China's law courts of all levels have handled a total of 10,981,000 cases, which included:

1,587,000 criminal cases (incl. 131,000 economic crimes), 6,987,000 civil cases, 2,330,000 economic disputes, 55,000 administrative cases, and 17,000 communications and transportation cases.

Judicial work has made a huge contribution toward safeguarding social stability, combatting decadence, intensifying reform, expanding opening up, and to the development of the social productive forces. Economic adjudication has registered a particularly rapid development, with the number of cases in 1991 amounting to 30 times the cases 10 years ago, a fact which abundantly demonstrates the large amount of work done by the law courts in service to economic construction.

Image of the Chinese Judges

What is the image of the Chinese judges in the eyes of foreigners? Does China possess laws that can be relied upon?

The image of Communist China's judges is best represented in the person of its "chief justice," Ren Jianxin.

Following the initiation of China's reform and opening up and the development of its socialist legal system,

people's courts have gradually increased their foreign contacts. Especially after Ren Jianxin had become president of the Supreme People's Court, there has been a rapid expansion of such contacts, which have transformed the people's courts into important windows for China in its efforts to open up to the outside world. Ren Jianxin's regular visits abroad, including his speech at the Fourth Conference of Appeals Court Judges in Kuala Lumpur, his speeches at the Law Conference and at the Australian National Press Club during Australia's bicentenary celebrations, and his statement at the Conference of High Court Judges at Manila, added to the knowledge among foreigners of China's political and judicial circles.

A "China Fad" Also Among the World's Law Circles

At the present time, it is not only that every country of the world shows keen interest in investments in China, but that a kind of "China fad" is also being experienced among law circles around the world, since Chinese judges are now frequently active on the world stage of jurisprudence.

In April of 1990, the curtain went up in Beijing at the 14th World Law Conference. As chairman of the Chinese delegation, and in charge of the "Center for the Protection of World Peace Through Law," the chairman for the Asia Section, Ren Jianxin, was undoubtedly playing a major role. Ren Jianxin was well aware of the fact that holding this world law conference would be only one short year away from the June 4 disturbance in Beijing; that it was still possible to bring this large law conference to Beijing demonstrated the eminent position that this large country, China, occupies in the world.

Most Successful of All Past World Law Conferences

Over 1,500 legal experts and scholars from over 60 countries and territories from all over the world participated in the conference, and heads of state, heads of governments, and foreign ministers of many countries had sent the conference their congratulatory letters and telegrams. Ren Jianxin gave a speech on the topic of "Law Serves World Peace and Development," which was warmly received by the participants. The conference, furthermore, very effectively discussed 21 special topics. Lai Ensheng [6351 1869 4141], chairman of the "Center for the Protection of World Peace Through Law," praised the conference, saying that the 14th was the most successful of all past World Law Conferences. The conference adopted the "Beijing Declaration," which is of major historical significance, parts of which read as follows:

"It is internationally acknowledged that China has achieved for itself the position of a strong and important country in the community of nations." "The conference takes note of the successes that China is in the process of achieving in the fields of economic and social development, as well as in the strengthening of its legal system. The legal system is an organic component in a country's developmental policy."

"These are successes achieved by a country with a population of 1.1 billion people...."

The "Declaration" ends with: "We are firmly convinced that the achievements of the Beijing Conference will have a far-reaching effect on all efforts to have 'law serve world peace and development'."

Ren Jianxin Assumes Honorary Chairmanship of the World Association of Jurisprudence

The successful World Law Conference held in Beijing projected an image of China and of Chinese judges for all the world to see. In recognition of Ren Jianxin's contribution to the success of the conference, the conference awarded him a "certificate of particular gratitude." Subsequently, Ren Jianxin was nominated for the 15th World Law Conference, to be held in Spain, honorary chairman of the World Association of Jurisprudence.

As China's "chief justice," Ren Jianxin has every day a busy schedule of work. The impression that Ren Jianxin, now in his 67th year, has left to the people is that he has been effective leader to all law courts throughout the country and that he has effectively performed the arduous tasks of his various duties. The special characteristic of his character is exemplified in the saying "if you don't do it, then be it so; but if you do it, then make a success of it." An evaluation of Ren by his secretary is: His mind comprehends the situation as a whole, he is cool-headed and steady, he is firm in his principles, he is strict in his demands, but, at the same time, he is also extremely amiable.

Converting an Indifferent Unit Into a Highly Prestigious Unit

At the time when Ren Jianxin was transferred to the legal office of the China Council for the Promotion of International Trade, everybody considered that a unit with impossible tasks and of poor performance. When Ren Jianxin got there, he worked daytime and studied in the evening, he eagerly benefited from and relied on experienced specialists, he actively nurtured and employed young cadres, he rallied everyone for joint struggle, and in the end he succeeded in converting an indifferent unit into a highly prestigious one. At the start, the legal office had only a few employees, but by now has grown into one of the largest departments of the said Council, its staff having increasing over 10 times.

Ren Jianxin's Wife was Dong Biwu's Interpreter-Secretary

Ren Jianxin's wife, Niu Lizhi [3662 4539 1807], had in her early years graduated from the Harbin College of Foreign Languages, majoring in Russian. After graduation, she was transferred to Beijing to serve as interpreter-secretary to Dong Biwu.

When she met Dong Biwu for the first time, it was Ren Jianxin of all persons who introduced her. She clearly remembers that one day in 1951, Ren Jianxin asked her to go with him for a bicycle ride from Zhongnanhai to

the Summer Palace. On the way, the two young people had a lively talk, but no matter how she asked what specific job would await her in the Summer Palace, Ren Jianxin would only say: "You will know when we get there." They finally went straight to Dong Biwu's residence, and it was then that Niu Lizhi knew that she was to meet Dong Biwu.

That day, they had lunch in Dong Biwu's place, and in the afternoon Mrs Dong arranged for Ren Jianxin and Niu Lizhi to take along Dong's small son for a leisurely stroll through the Summer Palace grounds. With their frequent professional contacts, there grew mutual understanding, and also mutual affection. One year later, they became husband and wife.

"As I Come in, Would You Mind To Leave?"

Thereafter, Niu Lizhi worked in quite a few units on policy research, and as translator and editor. In 1982, she was transferred to the Supreme People's Court. When Ren Jianxin was so swiftly promoted to president of the Supreme People's Court, the two of them talked the situation over, as a case of "if I come in, would you mind to leave?" Niu Lizhi has all along supported her husband in his work most energetically, and as she was well-aware of the overall situation, she finally returned to the Chinese Academy of Social Sciences, where she had worked before, and where she is still working today. This is possibly again proof of Ren Jianxin's character of a man who follows the principle "if you do not do it, so be it; but if you do it, make a success of it."

Holding Power Over People's Lives and Property, Emphasizing Actual Facts and the Provisions of the Law

In his position of China's "chief justice," Ren Jianxin is wielding power over people's lives and property, his is

sublime power bestowed on him by the state. He is well aware of the profound dignity of this power and has never allowed himself the slightest slackness or neglectfulness. In this respect, he has also always admonished all law court personnel that in adjudicating cases it is imperative to base on actual facts, to regard the law as one's guideline, and to be nothing but realistic and law-abiding. Attention must particularly be focused on this one criterion of "accuracy," so that the decision in each case can stand the test of history.

Little Rest Time, Overworking for Long Periods of Time

Ren Jianxin will always attend to everything personally and will always take the lead when work has to be done. Many things he will do himself; for instance, important speeches are very seldom drafted by his secretaries; they are generally outlined or drafted by himself. Only after the speech was held, some of his staff will edit it from the recording tapes, or from his notes, and put them into final form for publication. His secretary informed us that Ren's work schedule is always crowded, leaving every day little time for rest, so that even his secretaries cannot keep up with the work tempo of this "chief justice."

Every morning and evening, Ren Jianxin is bound to walk his two, three thousand paces in his garden. Listening to the "News and Press Digest" of the Central Broadcasting Station and viewing the "News Reports" of the Central Television Station, are "homework," that he never fails to perform.

Ren Jianxin frankly admits that one of his shortcomings is that he never developed a sparetime hobby. Precisely as one of his children said: When someone asks what hobbies Father has, I really cannot think of any, and if there is to be any at all, it is the hobby of "work." Although this is said in jest, it very well reflects Ren Jianxin's character.

NATIONAL AFFAIRS, POLICY

Fourteen Years of Economic Reform Reviewed

93CE0187A Beijing ZHONGGUO SHUIWU BAO
in Chinese 26, 29 Oct; 5, 9, 12, 16, 19 Nov 92

[Seven-part article by Xiao Cheng (2556 2052): "Fourteen Years of Reform and Opening Up"]

[26 Oct 92 p 2]

[Text] **An Astounding 14 Years—An Overview of China's Reform and Opening Up** From the late 1950's to the mid 1970's, because of the effects of extreme "leftist" thinkings, China handled the ownership system without regard for the standard of the productive forces and reckless made everything "big and public-owned," creating a homogeneous public ownership system. With respect to management, we rejected the market mechanisms and turned to the highly centralized system of mandatory planning to allocate resources. With respect to allocations, we ignored the difference in labor input and the amount of contribution and implemented an egalitarian and indiscriminate system of resource transfer and made everyone "eat out of the big pot." With respect to foreign relations, we over-emphasized "ideological differences" and for a long period of time, we closed our doors and kept to ourselves. This ossified system seriously obstructed China's normal social-economic development and further widened the gap between China's economy and that of the well-developed nations in the world. Reform and opening up became the inevitable choice of the Chinese Communist Party and the nation's people.

Yet, in an era when extreme "leftist" thinkings ran rampant, to propose reform of the traditional system was not an easy thing to do. In May 1978, supported by the older generation of proletariat revolutionaries, with Deng Xiaoping as their representative, a big debate on "Practice as the Only Test of the Truth" was launched within the party, especially among ideologists and theoreticians, and that broke the shackles of "leftist" thinkings which had long restrained us. We refuted the theory of "the two whatevers" [whatever Mao Zedong decides and whatever Mao Zedong instructs] which greatly liberated the people's thinkings. Thereupon, in December 1978, the Chinese Communist Party convened the Third Plenary Session of the 11th Central Party Committee, raising the curtain to China's reform and opening up.

For 14 years, guided by the idea that "practice is the only test of truth," we "groped our way across the river"—tested every step—and blazed a new trail that best suited China's situation.

The implementation of the output-related contract responsibility system brought another round of liberation to the rural productive forces, and agricultural production achieved an historical breakthrough.

From the Third Plenary Session of the 11th Party Central Committee to 1984, most rural areas basically implemented the family-based output-related contract responsibility system. The peasants began to have some production management rights. In one stroke, the implementation of the output-related contract system in the countryside revitalized the once-stalled agricultural production. In 1984, grain, cotton, and oil output topped 407 million tons, 6.29 million tons, and 11.91 million tons, respectively, which represented increases of 33 percent, 1.9 times, and 1.3 times, respectively. Between 1979 and 1984, the GVAO [Gross Value of Agricultural Output] increased at an average rate of 7.6 percent a year, 2.8 times the average rate of increase in the previous 26 years.

The diversified ownership systems injected new life into the national economy.

The Third Plenary Session of the 11th Party Committee proposed the general principle which reaffirmed the dominance of the public ownership system but urged the development of the non-public-owned economy. In particular, the First Session of the Seventh National People's Congress ratified the amendment to the Constitution, taking the development of the diversified ownership systems to a new phase. By 1991, the state-run industries were accounting for 53.9 percent of the total GVIO, [Gross Value of Industrial Output] while the collective industries accounted for 36.4 percent, the "three kinds of wholly or partially foreign-owned" industries accounted for 4.0 percent, and individual and privately-owned industries accounted for 5.7 percent; the state-run businesses were accounting for 40.2 percent of society's total retail sale of commodities, while collective businesses accounted for 30 percent, and other businesses accounted for 29.8 percent; the people-owned units were accounting for 65.9 percent of the total investment in fixed assets, while the collectives accounted for 12.7 percent, and individuals accounted for 21.4 percent.

Practice proved that expanding state-run enterprises' right to make decisions mobilized enterprises' production enthusiasm.

Since reform and opening up, the party and the state have implemented a series of reform in the state-run enterprises and have handed down power and yielded profit to the lower levels and have gradually made the transition to the contract system where the factory director (manager) responsibility system plays the key role. Through reform, the government's administrative interferences in enterprises have diminished somewhat; the scope of mandatory planning has been reduced, and increasingly enterprises are able to make more production, management, allocation, and labor employment decisions.

The promulgation of the "Bankruptcy Law" and "Enterprise Law" seriously have jeopardized the "two big pots" of allocation—one ate out of by enterprises and the state

and the other shared by enterprises and the workers. Practice proves that even though state-run enterprises' reform tasks are still very arduous, preliminary reform that integrates "responsibility, rights, and privileges" has mobilized enterprises' production enthusiasm and has created conditions that help enterprises turn into commodity production managers.

The implementation of the policy of opening up to the outside world has promoted national economic development.

The creation of the Shenzhen, Zhuhai, Shantao, Xiamen, Hainan SEZ's, and the 14 coastal open cities together with the Zhujiang Delta, Changjiang Delta, Minnan Delta and other economic development zones have formed a pattern of all-out opening up of the country from the coastal regions to the interior provinces. In 14 years, China's import-export volume has increased 5.6-fold. In 1991, import-export value amounted to 36.4 percent of the GDP. We have absorbed \$23.3 billion in total foreign investments, completed more than 40,000 foreign-financed projects, and brought in almost 10,000 pieces of foreign technologies.

The bold introduction of market mechanisms has laid the foundation for the socialist market economy.

The restructuring of the financial system has given expression to the role of our monetary policy. Over the past 14 years, China has gradually revived and developed the Agricultural Bank, Industrial and Commercial Bank, Construction Bank, Bank of China, and Communications Bank and other specialized banks as well as insurance and trust companies and other financial institutions. We have begun to have a new system wherein People's Bank of China acts as the administrative organ and the specialized banks are enterprise-like business organs. The monetary policy is playing a growing role in controlling and regulating the economy.

The pricing measures have also played a role in allocating resources. The prices of the absolute majority of the agricultural and sideline product have been decontrolled, which has promoted phenomenal agricultural development. Because fruit and aquatic products had been decontrolled earlier, the difference between slow and brisk seasons has long disappeared. The decontrol of light industrial and textile goods has given tremendous impetus to the development of the light and textile industries. The ratio between the output values of light and heavy industrial goods has risen from 0.76:1 in 1978 to 0.96:1 in 1991.

Financial policies have also played a very important role. The Financial Ministry has gradually reduced its direct control over the units at the microeconomic level; taxes have become the major consideration for the newly formed enterprises; the application of foreign and domestic debt policies has enabled China to raise more than 300 billion yuan in construction funds within a short period of slightly over 10 years; the increasingly flexible use of the exchange rate lever has been effective

in expanding export, easing domestic market scarcity, increasing our foreign exchange reserve, and balancing the country's international payments.

Market development continued to forge ahead despite the turbulences. As the country's macroeconomic control and regulation measures became more and more market-oriented, we also began to build and develop markets for different types of capital goods. Markets for consumer goods, capital goods, labor, financial instruments, technologies, and information have already been or are being established.

The economy grew at a high rate and comprehensive national strength clearly increased.

Statistics show that in 1991 China's GNP topped 1.9885 trillion yuan, 2.94 times 1978's figure based on constant prices, growing at an average rate of 8.6 percent a year, 2.2 percent faster than the average rate between 1953 and 1978. The per capita GNP was 1,725 yuan, 2.4 times 1978's figure based on constant prices, increasing at an annual rate of 7.1 percent.

Our productive capabilities have increased significantly

The rural economy has undergone all-out development, and the industrial structure has improved. In 1991, the rural society's total output value topped 1.9004 trillion yuan, 4.4 times 1978's value based on constant prices. Rural industries, once nonexistent, have developed and grown rapidly. In 1991, rural industrial output value accounted for 43.5 percent of the rural society's total output value, surpassing agriculture's share. Out of the rural labor force, the primary industry's share fell from 90 percent in 1978 to 79 percent in 1991; secondary industry's share rose from 6 percent to 11 percent, and tertiary industry's share rose from 4 percent to 10 percent over the same period.

Industrial and agricultural productions have clearly increased. Grain production has broken through the 400 million-ton mark; cotton production has exceeded 6 million tons; steel production has soared to 70 million tons; raw coal production has exceeded the 1 billion-ton mark; power generation has exceeded 600 billion kilowatt hours, and household appliances, computers and many other nouveau industries have undergone rapid development, filling the vacuum in the domestic economy.

The quality of the labor force has further improved. Over the last 14 years, China has produced 5.05 million people with college education and beyond, 72 percent more than the total number of people with that level of education in all the pre-reform years. We have trained 6.48 million professional and vocational personnel, and tens of millions of workers have taken part in various on-the-job technical and business trainings. At the end of 1991, units in the ownership by the whole people system were employing 17.17 million professional and technical personnel, nearly three times more than in 1978. Since

1979, the nation has obtained significant scientific and technological results in 154,000 projects.

The living standard has risen significantly.

In the last 14 years, after allowing for the price factor, the urban population's per capita living expense income has risen 1.11-fold, increasing at an annual rate of 5.9 percent. The per capita net income of the rural population has increased 2.18 fold, rising at an average rate of 9.3 percent a year. The actual consumption level has increased 1.27-fold, increasing at an average rate of 6.5 percent a year, 4.3 percentage points higher than the average rate in the 26 years before reform. While the consumption level has clearly risen, per capita savings has also soared from an average of 21.9 yuan to 786.6 yuan, 35.9 times. With respect to per capita living area, in the rural areas, per capita living space has increased from 8.1 sq m in 1978 to 18.5 sq m, and in the cities and towns, it has increased from 3.6 sq m to 6.9 sq m. There are more varieties of household appliances than the eyes can take in. The citizens' general health condition, nutritional standard, and life expectancy and other measurements of the quality of life are near or surpassing that of nations with moderate income.

In short, after 14 years of reform and opening up, China not only has not become a vassal state of capitalism but has become even stronger and more prosperous as we embark on the track of a socialism with Chinese characteristics. The leadership of the Chinese Communist Party not only has not been weakened but has actually strengthened even more. The masses not only have not "suffered all over again" but have basically reached a comfortable standard of living and are on the road to becoming relatively well-off. China is undergoing a new change of historical magnitude.

[29 Oct 1992 p 2]

[Text] **The Rural Economy Developed Amid Reform and Opening Up** Since reform and opening up, reform which primarily took the form of the family-based output-related contract system has given impetus to China's rural economy to develop at an unprecedented rate since the founding of the People's Republic. Township enterprises have become a new force to be reckoned with, and the peasants have reaped many real benefits.

Comprehensive agricultural productive capacity has clearly increased

Water conservancy work has been a huge success. Today, China has 47.82 million hectares of effective irrigated land, ranking first in the world. We have put 55.80 million hectares of eroded soil under some kind of control, drained 19.58 million hectares of waterlogged land, restored 5.11 million hectares of saline-alkaline soil, and have built 50,000 rural hydroelectric stations with 4.57 million kilowatt capacity.

Agriculture's mechanical structure has improved significantly and is much better equipped. In 1991, the

nation's farm machinery had 293.9 billion watts total capacity; we had 780,000 large- and medium-sized tractors, 7.3 million small tractors and hand-held tractors, 8.94 million motorized irrigation and drainage machines in the fields, 1.62 million trucks in the farms, and 330,000 motorized fishing boats.

Agricultural science and technology have also developed rapidly. Currently, China has more than 300 agricultural science research institutes at above prefectural levels and employs more than 40,000 scientists and technicians. A preliminary multi-discipline agricultural scientific research system has been developed.

Agricultural development has produced initial success. In 1983, the state adopted the method of centralized investment, forged joint central and local investments, and linked capital to agricultural output and selectively built some agricultural commodity bases and concentrated on the cultivation industry. Statistics based on 170 commodity grain production base counties showed the average rate of increase in grain production in these counties was 0.9 percentage points higher than the national average, and 33 percent of the nation's additional grain output came from these commodity grain production base counties. Since 1985, under the concerted effort of the state, localities, and the departments, agricultural development in the impoverished region has produced initial results. The nation's 699 impoverished counties launched agricultural development work, undertook key agricultural basic constructions and improved production conditions and the infrastructure. Over the last few years, the impoverished counties' agricultural mechanical power, total cultivated area, chemical fertilizer use, and rural electricity use have increased significantly, and at a rate above the national average. The industrial structure has been readjusted, and the per capita income has increased substantially. To guarantee their supply of nonstaple food, the "market basket" project was launched in the large- and medium-sized cities, building many large-scaled, highly commercialized bases for meat, eggs, milk, and sideline products.

Agriculture, forestry, animal husbandry, and fishery underwent all-out development.

From 1979 to 1991, China's GVAO increased at an average rate of 5.9 percent a year, exceeding by far the 2.6 percent rate throughout the 1953-1978 period. In the 14 years between 1978 and 1992, the total output value of the crop cultivating industry grew at an average rate of 4.3 percent a year; forestry, 5.7 percent; animal husbandry, 9.0 percent; sideline production, 12.8 percent; and fishery 10.7 percent. These growth rates exceeded by far the average rate of increase for the respective industries between 1953 and 1978. The increase in the production of major crops also accelerated. In 1991, China's grain production topped 435.29 million tons, 130.52 million tons more than in 1978, increasing at a rate of 10.04 million tons a year, at an annual rate of 2.8 percent, which exceeded the 2.4 percent average rate during the 1953-1978 period.

Rural industries developed rapidly

In the wake of township enterprises' vigorous development nationwide, today, the countryside has a full array of industrial enterprises ranging from power plants to machine-building, coal, coke, petroleum, chemical, construction materials, timber work, foodstuff, feed, textile, sewing, leather, paper-making, cultural and educational and art supplies and others. In 1991, rural industrial output value came to 826.65 billion yuan, 12.6 times more than in 1978, increasing at an average rate of 27.1 percent a year and accounting for 29.3 percent of the nation's GVIO, compared to 9.4 percent in 1978. Rural construction, transportation, and commercial food and beverage service industries also saw rapid growth.

The rate of commercialization of agricultural output continued to increase

In 1991, the nation's total procurement of agricultural and sideline products was worth 416.2 billion yuan, 6.5 times more than in 1978. As much as 51 percent of the agricultural and sideline products were available commercially, an increase of 11 percent compared to 1978. Specifically, the peasants sold 136.36 million tons of grain to society, 1.7 times more than in 1978; the sale of edible vegetable oils increased from 1.105 million tons to 4.77 million tons, a 3.3-fold increase; cotton sales increased from 2.095 million tons to 5.29 million tons (topping 6.26 million tons in 1984), a 1.5-fold increase; sugar sales increased from 18.13 million tons to 62.85 million tons; flue-cured tobacco sales increased from 1.05 million tons to 2.38 million tons; pigs, beef cattle, and lamb sales increased from 109.37 million heads, 1.41 million heads, and 9.98 million heads, respectively to 210.54 million heads, 10.18 million heads, and 44.33 million heads respectively; fresh eggs and aquatic product sales increased from 560,000 tons and 2.69 million tons respectively to 3.51 million and 6.52 million tons respectively.

The peasants' income has increased and the living standard has improved significantly.

In 1991 the peasants' per capita net income reached 710 yuan, 575 yuan more than in 1978, and allowing for price increases, per capita real income has increased 2.2-fold. The peasants' per capita living expenditure was 619.8 yuan, 504 yuan more than in 1978. In 1991, the peasants' average living area was 18.5 sq m, more than doubled the 8.1 sq m in 1978. The quality of the peasants' food consumption continued to improve; the nutritional standard continued to rise. Many luxury durable goods found their way into the peasant households, and the peasants were clearly spending more on cultural and entertainment products. There were more than 30,000 rural collective retirement homes, more than tripled the number in 1978.

[5 Nov 92 p 2]

[Text] Industrial Economy Has Advanced to a New Level
Since the Third Plenary Session of the 11th Party Central Committee, the industrial productive forces, once tightly bound by the "product economy," have been set free. Enterprise vitality has clearly increased, industrial production has developed rapidly, technological standards have risen steadily, and the industrial economy has advanced to a new level.

The public-ownership-dominated economy and its diverse components have given the industrial economy added vitality.

For 14 years, as the ownership by the whole people system was being reinforced, perfected, and developed, the collective, individual, privately owned, and foreign-owned economies and other economic components were also being developed. At the end of 1991, the nation had 8.08 million industrial enterprises: 105,000 were owned by the people; 1.577 million were collectively owned; 6.223 million were individual-owned urban and rural enterprises; 163,000 were privately owned enterprises with more than eight employees, and 110,000 were industries of other types. Comparing 1991 with 1978, the industrial output value of the people-owned system has increased 1.6-fold, accounting for 52.9 percent of the total GVIO, down from 77.6 percent; the industrial output value of the collectively owned system has increased 7.5-fold, accounting for 35.7 percent of the total GVIO, up from 22.4 percent; the output value of the urban and rural individual- and privately owned economies topped 142.9 billion yuan and 18 billion yuan, respectively, with shares topping 5.1 percent and 0.6 percent, respectively.

The industrial economy has sustained fairly high rate of development

By 1991, China's GVIO has topped 2.8248 trillion yuan, more than quadrupled that of 1978's based on constant prices, increasing at an average rate of 12.2 percent a year, compared to the average rate of 11.4 percent in the previous 28 years. Since reform and opening up, major industrial products such as black and white TV, color TV, tape recorders, household refrigerators, washing machines, cameras, VCR's, audio components, and other moderate- to high-priced durable consumer goods which had been nonexistent have become available and have increased many folds. Today China's manufacturing industry's overall capacity ranks fifth in the world—our capacity is about 25 percent of the United States', 33 percent of the former Soviet Union's, 50 percent of Japan's, and 80 percent of Germany's. At the end of 1991, the original value of China's fixed industrial assets was worth in excess of 1.7 trillion yuan, nearly 1.4 trillion more than then 340 billion or so in 1978, which more than tripled that of the previous 28 years' value. Between 1979 and 1991, China's state-run industrial enterprises generated 1.7545 billion yuan in profit tax, 2.2-fold the amount in the previous 26 years.

The technological standard of China's industrial production has clearly risen.

During the Seventh Five-Year Plan period, by bringing in foreign technologies and by accelerating old enterprises' technological transformation, the overall technological standard of China's industrial production clearly improved. We undertook nearly 500 key industrial enterprise technological transformation projects worth more than 50 billion yuan each, with total investment in excess of 50 billion yuan. During the same period, an average of more than 1,000 new products were developed each year, among them, more than 70 percent were advanced by international standards: These include the large plate continuous casting, the 4,000-ton hot-molded forge press, the 50 types of numerical control machine tools, the processing centers and flexible production lines, the 30,000 cc/hr oxygenator, the new 100-series diesel engine and other products are advanced even by international standards in terms of quality and performance. During the Seventh 5-Year Plan period, China relied on its own strength and provided nearly a hundred different types of high standard and complete sets of equipment for dozens of industrial sectors, including the energy, communications, raw materials, and advanced science departments. With respect to light and electronics products, the country is now able to produce its own parts and spares for washing machines, refrigerators, television sets, video cassette recorders and other major durable consumer goods; our ability to adapt foreign technologies to Chinese use and to produce complete sets of equipments has greatly increased. With regard to our production technologies, today 40 percent of China's goods have adopted international standards; the quality and capability of around 30 percent of the machinery and electronic goods are comparable to international standards in the late 1970's and early 1980's, which is clearly higher than that during the Sixth Five Year Plan period.

Export of industrial goods surged.

China's export of industrial manufactured goods as a percentage of its total export has continued to surge. In 1991, export of industrial goods was worth \$57.5 billion, more than 5 times 1980's value. The export of industrial manufactured goods as a percentage of total export has increased from less than 50 percent to 77.5 percent. Looking at the technological standards of the exported industrial manufactured goods, deep-processing and high-tech products have emerged as major export goods. Today machine tools, textile machinery, food processing machinery, automobiles, bearing, fans, sewing machines, bicycles, watches, alloys, plate glass, cement, crude oil, refined oil, tires, paper and cardboards and more than a dozen types of textile goods have become China's main export goods that earn foreign exchange. In addition, in recent years, civilian airplanes, boats, household electrical appliances and other fairly high-tech industrial products have joined the ranks of export goods that earn foreign exchange.

The high-tech industries showed rapid growth.

In recent years, through readjustments of the industrial structure and development of high-tech and high-added-value products, the high and new-tech industries have developed vigorously. Microelectronic and electronic information industries, aeronautic and aerospace industries, photoelectron and integrated photo electro-mechanic industries, biomedical products industry, jiedian [2234 7193] and new energy sources, new materials, high-efficiency energy conservation industries, ecological and environmental industries, and precision instrument and meters and other knowledge-intensive, technology-intensive industries have developed vigorously at a rate much higher than the overall industrial growth rate. They are accounting for a significant share of China's industrial economic development, so that China's industrial economy is forging ahead not only quantitatively but also qualitatively.

[9 Nov 92 p 2]

[Text] **Fixed Assets Investments Have Added Staying Power To Economic Development** Since reform and opening up and in the wake of production development and society's increased financial strength, fixed asset investments have also surged. Between 1979 and 1991, society's cumulative fixed assets investment totaled 3.4091 trillion yuan, 2.2897 trillion yuan of which were by units in the ownership by the whole people system. This equalled more than three times the total investment made in the 29 years prior to reform. It played a very important role in adjusting the industrial structure, accelerating enterprise technological transformation, improving the living conditions, and increasing China's comprehensive national strength.

Readjustment of the investment structure has shown initial success.

First, technological transformation of existing enterprise has picked up speed, and their share of investment has increased: Between 1979 and 1991, units in the ownership by the whole people system completed 685.9 billion yuan's investment on transformation, accounting for 30 percent of the investments in the ownership by the whole people system, up from 25.1 percent in 1978, and annual investment also increased from 16.8 billion yuan in 1978 to 102.3 billion yuan in 1991.

Second, basic industry and infrastructure investments have been increased year after year, both in absolute amount and in relative shares. Between 1979 and 1991, capital investment in energy industry and transportation and post and telecommunications industries came to 543 billion yuan, accounting for 30.4 percent and 15.2 percent, respectively, of the total amount of capital investments, up from 22.9 percent and 13.2 percent, respectively, in 1978.

Finally, the relative share of investment in production-oriented constructions began to rise during the Seventh Five-Year Plan period. In 1991, production-oriented

construction accounted for 72 percent, while nonproduction-oriented construction accounted for 28 percent, of the total investment. More importantly, housing construction continued to account for more than 10 percent of the total investments.

Key constructions picked up pace.

In the 14 years of reform and opening up, many key construction projects and individually listed projects have been completed and put into operation.

Major projects in the energy industry include the following: Hubei's Gezhouba hydroelectric station, with its 2.715 million-kilowatt total capacity is one of the world's largest hydroelectric power stations; Qinghai's Longyangxia Gorge hydroelectric station, with its 1.28 million kilowatts installed capacity, is currently China's largest single-unit power generator; the first phase of Shanxi's Datong No. 2 Power Plant and Shanghai's Shidongkou Power Plant, with installed capacity of 1.2 million kilowatts each; Jilin's Bashan hydroelectric station with total installed capacity of 900,000 kilowatts; the fourth phase of Jiangsu's Jianbi Power Plant, Heilongjiang's Fulaerji No. 2 Power Plant, and Inner Mongolia's Yuanbaoshan Power Plant, with installed capacity of 600,000 kilowatts each. Shanxi's Pingshuo Mining Zone's Antaibao Strip Mine, with annual coal production capacity of 15 million tons; Shanxi's Datong Sitaigou Mine, with annual coal production capacity of 5 million tons; Gujiao's Dongqu Mine, Yangquan's Guishigou Mine, and Datong's Yanzishan Mine in Shanxi, Kailuan's Qianjiaying Mine in Hebei, and Yanzhou's Dongtanli Well in Shandong, with annual production capacity of 4 million tons each.

Major projects in the raw materials industry include the following: the first and second phases of Shanghai's Baoshan Steel Plant; Hebei's Jidong cement plant, with annual production capacity of 1.55 million tons of cement; Shanghai's Yaohua Glass Company, which produces 4 million cases of glass by weight a year; Guangdong's Yunfu sulfur and iron mine, with its 3 million ton production capacity; the Daqing, Yangzi, and Qilu ethylene projects, with annual production of 300,000 tons of ethylene each; the Jiangsu Yizheng Chemical Fiber Joint Company which produces 240,000 tons of short-staple polyester and 252,000 tons of polyester chips; other large industrial and mining projects.

Major communications and transportation projects include the following: the Da-Qing Line (from Datong to Qinghuangdao, 410.8 kilometers in total length)—China's first electrified, two-way, heavy-duty, single-unit train, coal-transport railroad; the Huanghe Railway Bridge between Changyuan and Dongming—Asia's longest (10,282 meters) railway bridge.

Major scientific and cultural projects include: the Beijing positive-negative electron collider; the heavy ion accelerator; the state-run synchronized radiation laboratory and other large-scale advanced scientific research projects that meet international advanced standards; the nation's largest Beijing Library, with its 20 million-book

collection; the Central Color Television Center, and the world-renowned Asian Games project, among others.

We have added new fixed assets and new productive capacity.

Between 1979 and 1991, society as a whole added 2.8344 trillion yuan's worth of fixed assets, 6.9 times the amount accumulated over the previous 29 years. We completed more than 460,000 projects, among them, 1,467 were large and medium-sized basic construction projects. These basic construction projects allowed us to achieve the following: We mined 263.83 million tons of coal; generated 85.44 million kilowatt electricity; recovered 154.40 million tons of crude oil; smelted 13.01 million tons of iron and 12.92 million tons of steel; produced 1.016 million tons of chemical fiber, 1.42 million tons of plastic, 5.54 million tons of chemical fertilizers, 40.62 million tons of cement, 15.73 million units of kinescope, 960,000 tons of machine-made paper and cardboard, and 2.788 million tons of machine-processed sugar. We built a new 6,442 kilometer-course railroad and completed 382,48 kilometers of new highway and added coastal ports with 267.78 million tons of handling capacity.

The living conditions have improved.

Between 1979 and 1991, nearly 2 billion sq meters of housing have been added in the nation's cities and towns, more than tripled the housing construction in the previous 29 years. In 1991, the per capita urban living area reached 6.9 sq m, 3.3 sq m more than the 3.6 sq m in 1978. Housing construction added about 8 billion sq m of living space in the rural areas; the average per capita living area came to 18.5 sq m in 1991, 10.4 sq m more than the 8.1 sq m in 1978.

[12 Nov 92 p 2]

[Text] **Domestic Business and Foreign Trade Flourished**
Since the Third Plenary Session of the 11th Party Central Committee, China's domestic business and foreign trade have changed dramatically.

The consumer goods markets are prosperous and full of vigor.

Since 1979, China has implemented a series of reform with regard to its industrial and agricultural products purchase and sales policy, market circulation channels, and business management systems.

The continuous restructuring of the circulation system has smashed the old pattern of market monopoly by state-run businesses and of a single circulation channel. At the end of 1991, the state-run economy's retail sale of commodities accounted for only 40.2 percent of society's total retail sales, compared to 54.6 percent in 1978; the collective economy's share fell from 43.3 percent to 30 percent, while the individual economy's share rose from 0.1 percent to 19.6 percent. There were 9.24 million retail organs, 7.8 times more than in 1978. They

employed 21.99 million people, 3.9 times more than before. There were 74,675 urban and rural collective country fair markets; an increase of 1.2-fold.

As industrial and agricultural productions developed, more and more commercial goods became available. In 1991, agricultural and sideline product procurement reached 416.19 billion yuan, 6.5-fold more compared to 1978, increasing at an average rate of 16.8 percent a year, which surpassed the average rate of the previous 26 years by 11.3 percentage points. Industrial product procurement was worth 676.7 billion yuan, a 4.4-time increase compared to 1978, increasing at a rate of 13.9 percent a year, which surpassed the average rate of the previous 26 years by 2.9 percentage points. The increase in commodity procurement has increased the availability of goods in the market at an average rate of 15 percent a year, which is rare anywhere else in the world.

The people's income has also increased rapidly, which has created strong demands in the market. Market sales have soared. Comparing 1991 to 1978, society's retail sale of consumer goods has increased 5.5-fold, at an annual rate of 15.5 percent, exceeding by far the 6.3 percent average rate of increase in the previous 26 years. People's consumption pattern has changed from sufficiency-type to relatively well-off type, and they are more demanding with regard to product quality, style, pattern, and variety.

The varieties of commercial foodstuff have been increasing every year and their quality has continuously improved; their sales have also increased rapidly. In 1991, retail sales of foodstuff topped 453.8 billion yuan, 5.9 times more than in 1978, increasing at an average rate of 16.1 percent a year, exceeding the average rate of the previous 26 years by 10.2 percentage points.

New styles and new fabrics continue to appear in the clothing market, and sales have soared. In 1991, retail sales of clothing topped 135.6 billion yuan, an increase of 3.9-fold compared to 1978, averaging 13 percent a year and exceeding the average rate of increase of the previous 26 years by 6.2 percentage points.

Market sales of appliances have increased even faster than food and clothing. In 1991, retail sales of appliances topped 235.2 billion yuan, 6.1-fold more than in 1978, increasing at an annual rate of 16.3 percent, surpassing the average rate of increase in the previous 26 years by 9.8 percentage points. In particular, sales of television sets, VCRs, washing machines, cameras, refrigerators, and nouveau products of the 1980's have been very brisk.

Capital goods market continued to develop.

Since reform and opening up, China's capital good market has changed dramatically in terms of the circulation system, circulation network, as well as the management system and management mechanisms.

Today we have developed an integrated urban-rural circulation network backed by the central cities. By 1991, nationwide, we had more than 400 goods and materials trading centers, more than 290 specialized steel markets, more than 50,000 capital goods markets and goods and materials management outlets, and more than 10,000 goods and materials enterprise conglomerates that span several regions, sectors, and industries.

The categories and quantity of goods and materials allocated under state plans have gradually shrunk. By 1991, only 212 types of goods, 1,206 types fewer than in 1980, were still allocated by the state and managed by the departments. The quantity of goods and materials under unified allocation plans has also diminished over the years. For example, planned allocation of coal has fallen from 57.8 percent in 1980 to 44.6 percent; steel, from 79.7 percent to 44.6 percent; cement from 37.8 percent to 10.5 percent; lumber, from 80.9 percent to 19.5 percent.

Increased enterprise rights to make decision have given enterprises more vitality and real strength. In particular, we began to implement diverse management responsibility systems in the materials enterprises in 1986 and further expanded enterprises' power to make purchase and sales decisions. By 1991, the nation's materials system's extra-plan sales accounted for 83 percent of its total sales, 63 percentage points higher than in 1981. Today while the materials enterprises are responsible for the allocation and sales of materials under state plans, they are also taking great strides toward the market.

Both the purchase and sales of means of production have been brisk. The scopes have continued to expand. In 1991, the nation's materials supply and marketing enterprises at the county and above levels purchased and sold 816.9 billion yuan's worth of capital goods, 81.2 percent more than in 1987. Specifically, they made 394.7 billion yuan in purchases, an increase of 80.2 percent, and made 422.2 billion yuan in sales, an increase of 81.2 percent. Sales of the eight major types of goods soared, among them, the sale of fuel increased 1.2-fold; ferrous metals increased 64 percent; nonferrous metals increased 71.6 percent; chemical and industrial materials increased 79.6 percent; lumber increased 20 percent, and machinery and electronic products increased 97.9 percent.

Foreign trade continued to expand.

In the 28 years prior to reform and opening up, China's import-export had increased at an average rate of 10.9 percent a year; our import and export had accounted for only 0.8 percent of the world's total trade, and more than 6 percent of the export goods had been agricultural and sideline products. Since the Third Plenary Session of the 11th Party Central Committee, China's foreign trade has changed dramatically in terms of scope, rate of development, mix of import-export goods, market share, and diversification of nationality of the trading partners.

The scope of import-export trade has constantly expanded. In 1980, China's total import-export was worth \$38.14 billion; it surpassed the \$50 billion-mark in 1984 and topped \$102.79 billion in 1988. By 1991, it again soared to \$135.7 billion, 3.6 times 1980's amount, increasing at an average rate of 12.2 percent a year in those 11 years. Between them, export has increased the fastest. In 1991, total export was worth \$71.91 billion, four times 1980's amount, and our ranking in the world rose from 27th place to 13th place, and for two consecutive years China's import-export trade surplus was sustained at above the \$8 billion-level. In 1991, China's import-export accounted for 36.6 percent of the GNP, 23.8 percentage points higher than in 1981.

The mix of import-export goods has continued to improve; industrial manufactured goods are clearly making up a larger share of the total import-export mix. In 1991, industrial manufacture goods accounted for 77.5 percent of the total export and 83 percent of the total import, which represent increases of 27.7 percentage points and 17.8 percentage points, respectively, compared to 1980. In 1980, China's export of industrial manufactured goods was worth only \$9 billion, less than one-half the total export value. By 1991, it has reached \$55.7 billion, increase by more than 5-fold. It grew at an average rate of 20 percent a year over the 11 years, which exceeded the 13.4 percent average rate of increase in the previous 26 years.

The foreign trade formats have become even more diverse. In 1980, ordinary import-export accounted for 94 percent of China's total import and export at that time. Except for processing and assembly of foreign-supplied materials which accounted for 3 percent, other forms of trade accounted for less than 1 percent of our total trade. In 1991, the share of ordinary trade has fallen to 50 percent while processing of foreign-supplied materials and imported materials accounted for 18 percent and 25 percent, respectively, of the total trade volume. Export by foreign invested enterprises has also increased significantly; their 1991 total export equaled 10.9 times that of 1987's and accounted for one-sixth of the total export volume.

After 14 years of reform and opening up, today China has established fairly stable trade relations with 185 nations and regions in the world. Among them, Hong Kong, Japan, the European Community, and the United States are our more important trading partners. In 1991, import and export trade with these four nations and regions came to \$99.25 billion, 7.6 times more than in 1980; they accounted for more than 73 percent of China's total export value.

[16 Nov 92 p 2]

[Text] **Significant Improvements in the Living Standard**
Since the Third Plenary Session of the 11th Party Central Committee, the party has shifted the focus of its work to the economy and has steadfastly implemented the policy of reform and opening up. These 14 years of

reform and opening up marked a period when the economy was developing the fastest, when our national strength was increasing the most, and the people were reaping the most real benefits. The absolute majority of the people have solved their basic food and clothing problems, some have become "relatively well-off," and a handful have gone beyond "relatively well-off" to becoming quite wealthy.

The people's income has increased significantly.

Since reform and opening up, China has implemented serious and comprehensive readjustments of the national economy and has changed the old practice of "emphasizing accumulation at the expense of consumption, emphasizing production at the expense of living"; improving the living standard as quickly as possible has been given the attention it deserved. In the countryside, we implemented the family-based output-related contract responsibility system and allowed the peasants to freely sell their surplus agricultural and sideline products on condition that they delivered their share of public grain in full and kept a sufficient seed stock. We also raised the purchase price of agricultural and sideline products on several occasions. At the same time, we vigorously developed nonagricultural industries—primarily township enterprises—which increased the peasants' income. In the cities and towns, we also implemented a series of effective reform practices, such as universal wage adjustment and promotion, restoring the bonus system and the piece-work wage system. We provided more employment opportunities and allowed different economic components and different allocation formats to coexist alongside each other. As a result, the urban population's income has clearly increased. The rural per capita income has risen from 133.6 yuan in 1978 to 710 yuan in 1991, while the per capita living expense income of urban households has risen from 316 yuan to 1,544 yuan, and after allowing for the price increase factor, the real increase comes to 9.4 percent and 5.8 percent a year respectively.

The quality of life has clearly improved.

The people's consumption level has risen. In 1978, the nation's per capita consumption level was 175 yuan, and by 1991, it has risen to 803 yuan, and allowing for the price factor, the real increase per year comes to 6.5 percent, compared to the average annual rate of 2.2 percent increase in the previous 26 years. The peasants' per capita consumption rose from 116.1 yuan in 1978 to 619.8 yuan in 1991 while per capita living expense for households in cities and towns rose from 311.2 yuan to 453.8 yuan.

As the consumption level rises, the consumption mix changes to the "comfortable" mode as manifested in a gradual decline in spending on goods for basic subsistence such as food and clothing; consumption becomes more diversified and puts more emphasis on quality. The rural population's consumption has entered a stage of replenishment and improvement in terms of quality—

they are focusing on building homes and buying nouveau consumer goods, and there are more consumption choices. The urban population's additional consumption demands have shifted from basic food and clothing to everyday goods, especially expensive durable consumption goods. While consumption quantity has continued to increase, quality has also improved.

Food People have gone from eating to satisfy hunger to demanding gourmet and nutritious food. In 1991, China's per capita grain consumption came to 234.5 kilos, 20 percent more than in 1978; per capita consumption of vegetable oil came to 5.89 kilos, a 2.7-fold increase; pork, 17.44 kilos, a 1.3-fold increase; beef and mutton, 1.79 kilos, a 1.4-fold increase; poultry, 1.98 kilos, a 3.56-fold increase; fresh eggs, 7.10 kilos, a 2.6-fold increase; aquatic products, 6.79 kilos, a 94 percent increase. In addition, consumption of candies, cakes, fruit, and various nutritious and health foods has also increased substantially. China's per capita consumption of meat and eggs is higher than that of the moderate- to low-income Asian nations and is approaching the level of the moderate- to high-level income nations. China is using 7 percent of the world's arable to feed 22 percent of the world's population.

Clothing People have gone from just trying to keep warm to wanting to look smart and pretty. Just over a decade ago, people only wore either Chinese tunics or overalls. Today, everywhere people are brightly dressed in the latest styles, and a dazzling array of new fashions is being introduced every minute. Increasingly, people are demanding comfortable, expensive, fine clothes and want clothes that are unique and express individuality. Even the peasants' aesthetic tastes have changed dramatically. In the past, they wanted durable, warm clothes; now they want pretty and elegant clothes. Today the Chinese citizens' consumption of textile goods has surpassed the level of some moderate-income nations.

Appliances People have progressed from being practical to wanting things that are modern and expensive. By the end of 1991, nationwide, for every 100 people, there were an average of 12.6 sewing machines, 7.9 units more than in 1980; 36.2 bicycles, an increase of 26.5 units; 19.8 electric fans, an increase of 18.4 units; 9.2 washing machines, an increase of 9.17 units; 3.0 refrigerators, an increase of 2.98 units; 17.8 televisions sets, an increase of 16.9 units; 11.3 tape recorders, an increase of 10.8 units; 20.2 radios, an increase of 8.1; 2.1 cameras, an increase of 1.5. Televisions, refrigerators, washing machines, tape recorders, radios, and cameras are almost as universal in China's urban households as in other moderate- to high-income nations. Some households even have VCRs, air conditioners, and small cars.

Housing People have gone beyond just having a roof over their heads to demanding comfortable and spacious accommodations. Since reform and opening up, urban housing construction has developed with speed, and we have implemented housing reform in some cities. The living conditions have changed significantly. In 1991,

the per capita living area in the cities and towns was 6.9 sq m, 3.3 sq m more than in 1981. Houses in the cities and towns now have many of the modern amenities. By the end of 1991, 97.3 percent of the households had running water, 46.1 percent had piped gas or liquefied petroleum gas [LPG]. Living conditions in the countryside have improved too. At the end of 1991, the rural population's average per capita living space was 18.49 sq m, more than doubled that in 1978. Most houses, 64.9 percent, were built with reinforced concrete and bricks and wood combination.

Sanitation, public health, and social security conditions have improved significantly. Nationwide, we had 23 percent more public health facilities, 46.5 percent more hospital beds, and 61.7 percent more public health technicians in 1991 than in 1978; infant mortality rate has dropped to 34.68 per thousand, which is comparable to other developing nations of moderate- to high-income. The average life expectancy of the Chinese citizens is nearly 70 years, comparable to that of a high-income nation. In 1991, nationwide, we had 420,000—3.7 times more than in 1978—homes for veterans and families of revolutionary martyrs, convalescent homes and rest homes, glory homes, retirement homes, and welfare institutions. They provided 827,000 beds—2.5 times more than in 1978; they served 643,000 people—2.5 times more than before. We had 44,000 social welfare enterprises employing 700,000 disabled workers. These represented increases of 44-fold and 13-fold respectively compared to 1978. Urban social services and rural social security network have also undergone rapid development. Currently, we have 93,000 social service facilities in the cities and towns, and 13,300 townships have formed a social security network with 187,000 social security foundations; they have 1.67 billion yuan in welfare funds.

The cultural standard has further improved, and the people's spiritual lives have been further enriched.

If we compare 1982's third census with 1990's fourth census, we will discover that for every 100,000 people, those with college education have increased from 615 to 1,422; those with high school education have increased from 17,892 to 23,344; those with elementary school education have increased from 35,237 to 37,057. Nationwide, the average years of education for the population has increased from 4.6 to around 6 years. The illiteracy rate has fallen from 22.81 percent to 15.88 percent. In 1991, people in cities and towns spent an average of 81.8 yuan on cultural and entertainment goods and books, magazines, and newspaper—1.7 times more than in 1981; the peasants also spent an average of 16.85 yuan on similar goods.

[19 Nov 92 p 2]

[Text] China Continues To Gain International Status
Since the Third Plenary Session of the 11th Party Central Committee, China's economy has developed rapidly; our comprehensive national strength has clearly

increased, the living standard has risen significantly, and we have continued to gain in international status.

China has the highest rate of economic development in the world.

Between 1979-1991, China's GNP grew at an average rate of 8.6 percent a year, ranking second in the world, just behind Korea (8.8 percent). Other nations with relatively high rates of growth during that period were, Singapore, 7.4 percent; Thailand, 7.3 percent; Malaysia, 6.8 percent. In the early 1990's, amid a worldwide recession, economic growth in most nations slowed to a trickle; some nations even showed negative growth. In 1991, average economic growth around the world fell by 0.3 percent. Specifically, economic growth fell 1.1 percent in Great Britain and 0.7 percent in the United States. But China managed to maintain a high rate of growth of 7.7 percent, trailing only Korea, Malaysia, and Thailand and ranking fourth in the world. In the first half of 1992, China's GNP increased 12 percent compared to the same period a year earlier, ranking first in the world.

Between 1979 and 1991, China's per capita GNP increased at an average rate of 7.5 percent a year, far above the average of 1.2 percent worldwide, the 2.3 percent average among the developed nations, and the 1.5 percent average among the developing nations. In a short 14-year period, China's per capita GNP has increased 1.4-fold while it took the United States more than 40 years (1889-1929), Great Britain 60 years (1780-1840), India nearly 30 years (1960-1989), and more than a decade even for Korea and Thailand to double their per capita GNP.

Industry and agriculture developed rapidly. Between 1979 and 1991, China's industrial output increased at an average rate of 12.2 percent a year, exceeding by far the world average of 2.3 percent; the average of developed nations, 2.0 percent; and the average of developing nations, 3.1 percent. China's agricultural output increased an average of 5.9 percent a year, exceeding by far the world average of 1.9 percent, the average of developed nations, 0.8 percent; and that of developing nations, 2.7 percent.

Industrial and agricultural development gave impetus to the development of the tertiary industry. Between 1979 and 1991, China's tertiary industry grew 9.9 percent, ranking first in the world—the world average during the same period was 3.2 percent, and the medium- to low-income nations' average was 6.5 percent, the medium- to high-income nations' average was 2.6 percent, and the high-income nations' average was 3.6 percent.

Our real economic strength has clearly increased

In the wake of rapid economic development, China's real economic strength has clearly increased. According to the World Bank's "1992 World Report", based on the exchange rates effective at that time, in 1990, China's GDP ranked 9th worldwide, behind the United States,

Japan, Germany, France, Italy, Great Britain, Canada, and the former Soviet Union.

China's production of major industrial and agricultural goods ranks high among nations in the world. Between 1978 and 1991, cement, cotton cloth, grain crop, cotton, oil, and meat productions ranked first in the world, up from second and third places earlier; power generation and crude oil production ranked fourth and fifth, up from seventh and eighth place; coal production rose to first place from third, and steel production rose to fourth place from fifth place, trailing only the former Soviet Union, Japan, and the United States.

The gap between China's and the world's per capita production of major industrial and agricultural products has narrowed. Between 1978 and 1990, China's per capita steel production increased from 45 percent to 20.6 percent, at par with the world's average level; per capita power generation rose from 15.2 percent to 25.7 percent; per capita crude production increased from 15 percent to 21.5 percent. China's per capita grain crop, cotton, and meat productions have reached or overtaken the world's average standard. In 1978, China's grain crop, cotton, and meat production was below world average; in 1990, they have reached or slightly exceeded the world's averages.

The transportation industry has undergone fairly rapid development

In 1978, cargo handling by various means of transportation came to 982.9 billion ton-km, ranking seventh in the world. In 1991, it has increased to 2.7986 trillion ton-km, ranking third in the world, behind the United States and the former Soviet Union; the volume was 75 percent of the United States'. In 1991, China's rail business extended 534.15 million kilometers, ranking fifth in the world; cargo handling by rail came to 1.0972 trillion ton-km, equivalent to 71.9 percent the United States' volume and ranking third worldwide.

Foreign trade has undergone rapid development.

In 1991, China's commodity import-export trade was worth \$135.7 billion, 2.6 times more than in 1978. Its ranking rose from 16th place in 1980 to 12th place, behind the United States, Germany, Japan, France, Great Britain, Italy, Canada, Holland, Belgium/Luxembourg, Korea, and the former Soviet Union. Between 1980 and 1991, the import-export trade volume grew at an average rate of 12.2 percent a year, exceeding the world's average rate of 5.3 percent. China's status in world import-export trade has continued to rise; its share of world trade has increased from 0.9 percent in 1980 to 1.9 percent in 1991.

Scientific, educational, and medical and health-care undertakings have flourished.

In 1991, the nation's people-owned units employed 17.168 million professional and technical personnel, ranking third in the world, behind the former Soviet

Union and Japan. We had 46.84 million full-time middle school and 121.64 million elementary school students, ranking first in the world; and we also had 2.044 million full-time college students, ranking fifth in the world, behind the United States, Japan, the former Soviet Union, and India.

With respect to medical and health-care, in 1991, China had 1.78 million doctors, ranking first in the world. On the average we had one doctor per 649 people, which was better than the world average of one doctor per 4,200 people; our ratio was comparable to nations with above-average income. Life expectancy in China is close to 70 years, higher than the world average of 65 and the average of 67 in the moderate- to high-income nations.

The standard of living has greatly improved.

With respect to food consumption, according to a United Nation Food and Agricultural Organization publication, during the 1987-1989 period, China's per capita per day calorie and food protein intake was 2,637 kilocalories and 62.8 grams, higher than the average of the developing nations (2,474 kilocalories and 59.9 g); per capita per day intake of fat came to 45.5 g, close to the developing nation's average (47.6 g). As for per capita consumption of major foodstuff, in 1990, per capita grain consumption was 238.8 kilos, higher than the averages of the developing nations (204.2 kilos) and the developed nations (137 kilos); per capita egg, meat, and edible vegetable oil consumption was higher than the average of the developing nations and almost at par with the world average; per capita consumption of aquatic products came to 6.5 kilos, one-half of the world average and approaching the average of the developing nations.

With respect to clothing, the per capita consumption of cloth of all types was 10.6 meters, which is the world average.

With respect to cultural life, in 1990, for every 1,000 population there were 162 television sets, higher than the developing nations' average (52 sets) and the world average (155 sets) and equivalent to one-third of the developed nation's average. We had 220 radio per 1,000 population, which was higher than the average of the developing nations (176 sets), lower than the world average (375 sets), and less than one-fourth the average of the developed nations.

The above comparisons show that overall China's comprehensive economic strength and some of its economic and social norms rank high in the world. Its ranking with respect to production of major industrial and agricultural goods has clearly risen, but in terms of per capita standards, most indicators are still below world average and lag far behind that of the developed nations. We still have a long and hard way to go to catch up with the world's advanced standards. We must implement the general and specific policies promulgated by the 14th National Party Congress, accelerate the pace of reform

and opening up, and struggle for the sake of the development of a socialist nation with Chinese characteristics.

Estimate of Per Capita GNP, Comparisons

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[Article by Zhang Hong (1728 7703), State Council Development Research Center: "Calculation of China's Per Capita GNP and International Comparisons"]

[Excerpts] Controversy has always existed among both domestic and foreign experts about China's per capita GNP, and the disparity among separate calculations is extremely great. For example, the *World Bank 1990 Development Report* estimates a \$330 per capita GNP for China in 1988, but numerous Chinese and foreign experts believe this to be an underestimate. Using different methods to make additional estimates, some obtained a figure of \$750, while others believed per capita GNP to be as much as \$2400. We believe that although the calculations of these experts have some accurate foundation, since the experts lack sufficient understanding of China's economy and statistics, and since the calculation methods are themselves limited, these estimates of China's real per capita GNP err very greatly. [passage omitted]

The period since the early 1970's, when the actual floating exchange rates of western countries began to be used in formulating China's official exchange rates, may be divided generally into two stages. Taking 1985 as the dividing line, during the first stage a pegged exchange system was the principle used, the rate pegged to a basket of western currencies in which changes formed the basis for setting exchange rates. This exchange system was rigid and at variance with reality. It did not meet the needs of China's economic development; therefore, reform was urgently required. The second stage was from 1985 to the present day during which the exchange rate between the renminbi and the United States dollar was lowered several times. One feature of each readjustment of the exchange rate was that each readjustment was separated from the other by a little more than one year, a policy taking shape whereby China framed an exchange rate permanently pegged to the U.S. dollar.

The main reason for the devaluation of the renminbi was price rises. With the development of China's commodity economy, the laws of value ordained that commodity prices would inevitably demolish the former rigid price system, thereby occasioning tremendous changes that naturally produced price rises and currency inflation. Between 1979 and 1990, domestic retail prices rose 1.44 fold causing an absolute decline in the earlier value of the renminbi. Meanwhile, the value of some western currencies remained relatively stable; thus, the renminbi depreciated relative to those foreign currencies. The effective result of the lowering of the renminbi exchange rate was a cause and effect relationship with changes in the price

index. On the one hand, the lowering of the renminbi exchange rate caused a further rise in the price index. On the other hand, the rise in the price index also resulted in a further lowering of the renminbi exchange rate. Because of the close relationship between the renminbi rate of exchange and changes in the price index, setting the renminbi exchange rate was frequently based on anticipated currency inflation, and with reference to exchange rates in foreign exchange regulation centers in which market supply and demand play a large role. In this sense, setting of the renminbi exchange rate reflected to a certain extent the relationship between commodity supply and demand.

Since the price index exerted a lagging effect on the renminbi exchange rate, each setting of the renminbi exchange rate was in direct response to the price index and caused further changes in the price index as well. When China's commodities become a part of international trade, this exchange rate must change as the foreign trade national price index changes. For example, when China trades with the United States, the nominal exchange rate of China's renminbi may vary from the effective exchange rate. This variation results mostly from the effect of both the Chinese and U.S. price index.

When China's price index rises more than the U.S. price index rises, the renminbi declines in value more than the U.S. dollar. The renminbi's actual exchange rate, i.e., the actual value of the renminbi in foreign currencies, will then be lower than the nominal exchange rate. However, when China's price index rises less than the U.S. price index, the effect on the actual exchange rate is a rise in value of the renminbi's nominal exchange rate. Therefore, we feel that in making international comparisons, the value of the renminbi relative to foreign currencies serves as a suitable yardstick for figuring the actual exchange rate. It should be especially explained here that the price index referred to above means the total retail price index for all of China, but that the United States uses the consumer price index (CPI). Realistically speaking, changes in the nominal exchange rate are directly affected by the export goods price index; however, since most of the commodities that make up China's exports are the same as those in the domestic market, changes in export prices are about the same as changes in the retail price index. When data are lacking, China intends to substitute the national retail price index. Table 1 shows results of readjustments in the nominal exchange rate from 1990 through 1990.

Table 1. Readjustments to China's Nominal Exchange Rates 1980 - 1990

Year	80	81	82	83	84	85	86	87	88	89	90
United States CPI %	9.4	10.4	6.2	3.2	4.2	3.5	2.0	3.6	4	4.9	5.6
China Retail Price Index %	6	2.4	1.9	1.5	2.8	8.8	6.0	7.3	18.5	17.8	2.1
Nominal Average Rate	1.49	1.7	1.89	1.98	2.33	3.2	3.45	3.7 3	3.72	3.77	4.75
Actual Average Rate	1.44	1.56	1.81	1.94	2.29	3.36	3.59	3.87	4.26	4.25	4.58

China's 1990 GNP Estimated in Terms of International Items

GNP is an aggregate indicator that fully reflects in an overall way a nation's national economic performance. In 1985, China began formal use of the national economic accounting system (SNA), bringing GNP accounting into China's accounting system. China's GNP accounting is based on the materials product balance sheet system (MPS) imported from the USSR. Its accounting coverage, indicator concepts, and accounting methods are identical with western GNP accounting, all of which are based on the United Nations-recommended *National Economic Accounting System*. Because of the nature of China's economic system and high welfare institutions, and lack of GNP accounting experience, the scope of GNP accounting does not yet cover all aspects of social and economic activity. The total results of economic activity have not been fully put in statistical form. Current GNP accounting standards usually follow the market trade principle. In following this principle in China, a very large amount of the results of economic activity that does not go through market trading cannot be put into statistical form for inclusion in GNP. This

portion includes mostly the following: (1) enterprise sideline business and concurrent business added value that is omitted from calculations; (2) under-calculated low-cost subsidized housing, medical treatment, health care, and education; (3) underestimated fixed assets depreciation; (4) government subsidies to support low-prices; (5) residents' personal investment, largely the under-calculated investment in rural dwelling construction; (6) staff member and worker income received from outside the main channel, including income from a second job, and income in kind received from their unit; (7) the underground economy, and portions from tax cheating and tax evasion; and (8) state subsidization of urban residents' coal, water, and electricity bills.

Omission and under-reporting of the above items results, to a certain extent, in underestimation of the real scale and level of China's GNP and comparing it with GNP internationally. However, it is also rather difficult to obtain the aforementioned data and materials given the present state of accounting. Accurate statistics for some items—items 6 and 7, for example—cannot be obtained

in foreign countries either. In view of the data limitations, we can only make general estimates for the first six items, and do all possible to use international comparisons as a basis for making rough adjustments of China's present GNP.

By enterprise sideline business is meant services that an enterprise provides for itself such as child care centers for staff members and workers, medical outpatient facilities, mess halls, housing, and such services of a welfare nature, which are in the nature of secondary and tertiary industries. The current situation of a not having a fully developed national economic accounting system, the value of such services is rarely calculated, or it is omitted entirely. With the enlivening of enterprise operations, enterprise concurrent business activities have developed rapidly. By enterprise concurrent business activities is meant farming, transportation, and commercial activities that the enterprise engages in outside its main business. Since statistical methods, systems, and management are incomplete, such statistics are largely omitted in practice. Representative surveys and extrapolations from pertinent data by experts show that at least 4 billion yuan is thus under-calculated or omitted from statistics.

Estimates of low cost subsidization of housing, medical treatment and health care, education, and public transportation in tertiary industries.

For a long time, a welfare system of distribution in kind rather than distribution in currency has been used for city and town housing in China. Housing amounts to less than 1 percent (in 1990, it was 0.73 percent) of residents' living expenses, and the trend in recent years has been toward a smaller percentage. This is extremely rare elsewhere in the world. In other countries, housing costs generally account for a substantial percentage of living expenses. In the United States, for example, housing costs amount to as much as one-third or more of living expenses, and in most low income countries it also far exceeds the percentage paid for housing rent in China. Low rents in China conceal large national and local government subsidies. The national treasury alone must subsidize repairs to the tune of between 5 and 6 billion yuan annually, and local government and government entrepreneurial units also spend substantial sums on the building and repair of houses. Although these huge subsidies are not a part of market trade, they are essentially a form of trade that differs from trade between countries and collectives in the form of market transactions. Consumption for housing in the form of subsidies should properly be fully figured in GNP. With the steady intensification of housing reform, a turn for the better is underway regarding many irrationalities in housing consumption. Raising rents to the point where they cover all expenses is a basic requirement of housing reform. Someone has calculated that were depreciation to be figured on the basis of all the costs (including land rent) of building houses, the rent required to cover depreciation, repairs, management, real estate taxes, and investment interest would come to between 8 and 18 yuan per

square meter. This would be approximately 25 percent of each household's monthly living expenses. Even though numerous real problems, such as low wages in China, do not permit charging such a price for the time being; theoretically, it is possible to reflect actual house rent. For international comparison purposes, we might as well use this price per square meter in figuring the total rent for housing in China's cities and towns by way of generally assessing the total size of housing consumption. Since circumstances differ from one place to another, we intend to use 13 yuan for rough calculation purposes. This is the median figure in the 8 - 18 yuan per square meter monthly rental. At this rate, city and town housing rents in China totaled 334.4 billion yuan in 1990. However, statistics show a city and town family per capita payment of only 9.36 yuan per year for rent, annual city and town rent payments totaling 2.83 billion yuan. Thus, housing rentals for 1990 were under-calculated by 331.57 billion yuan.

Medical treatment and health care, education, and transportation sector services consumption, as well as housing consumption, both have a high welfare component in China. Services, payment for which takes only a small amount of the inhabitants' living expenses, are a feature of China's consumption structure. At the present time, this high welfare-style consumption is gradually being reformed; nevertheless, the state, local governments, and government entrepreneurial units continue to subsidize expenses heavily. In the health care sector, for example, despite reform of the public expense medical care system, the percentage of medical treatment which is paid for personally is very small. For institutional and managerial reasons; reform of the public expense medical treatment system has not produced marked results. Aberrations in structural reform have frequently resulted in a reduction of public medical treatment expenses in some units only to have an accompanying rise in other units. This produces a situation in which one person is treated for an illness, but the entire family takes the medicine, showing that the egalitarian large-common-pot-phenomenon has not been completely rooted out. In the medical treatment and health care sector, despite substantial increases in drug prices and hospital fees, in some medical sectors—particularly the epidemic prevention sector—expenditures are still greater than receipts. This requires the state, local treasuries, and constituent units to subsidize the difference, including complete subsidization of the epidemic prevention sector. This series of subsidies amounts to no small percentage of GNP. Regrettably, lack of data prevents obtaining as much of this subsidy data as we would like. The same situation exists in the education and public transportation sectors. Since these sectors are in the service sector, as is the case in foreign countries, where wages comprise the main part of added value, our estimate will be an extrapolation from wage rates. Supposing, most conservatively, that total wages in the same sector in the United States are 10 times those in China, (according to an article entitled "Comparative International Study of China's GNP," in *MANAGEMENT WORLD*, 1991,

Issue 1, Meinong and Gedeng [phonetic], the total wage bill for all service trades in the United States is 70 times than of China's. Despite differences in service quality in medical treatment, education, and public transportation, the gap cannot be this great, and even a hypothetical 10 times may be an overestimate). By extrapolating from the American wage rate, Chinese wages should be increased seven fold. In 1990, the total wage bill in China's medical treatment sector was 8.070 billion yuan; the total wage bill in the educational sector was 21.45 billion yuan; and the total wage bill in the public transportation sector was 1.66 billion yuan, the grand total for the three sectors amounting to 31.18 billion yuan. Multiplied sevenfold, this amounts to 218.26 billion yuan, 187.08 billion yuan higher than the original total wage bill.

Depreciation of fixed assets is underestimated in China. China's depreciation rate for fixed assets has always been lower than other country's; replacement has been slow, and frequently equipment has been used until it is scrapped. In addition, depreciation calculations have failed to take into account intangible depreciation, and depreciation has not been figured at replacement price. Consequently, a substantial portion of depreciation is not included in product added value. From the enterprise's standpoint, reduced depreciation means increased profits, and administrative entrepreneurial units do not figure operating surpluses, so depreciation is recorded as a smaller portion of added value. Throughout the service sector, particularly in the public service sector, depreciation is underestimated in varying degrees. This under-calculated depreciation amounted to 73.5 billion yuan in 1989 (raising the current 2 percent depreciation rate to 4 percent through extrapolation). In 1990, the entire service sector added 56.6 billion yuan work of fixed assets. Figured at both a post-readjustment 4 percent depreciation rate and at a 2 percent depreciation rate, the difference is 1.1 billion yuan; thus depreciation in 1990 was underestimated by 74.6 billion yuan.

A policy of using huge government subsidies to maintain low prices is an outgrowth of the plan economy system that China practiced for a long time. Under China's special conditions of a not well developed market economy and low wages, the use of government subsidies to maintain stability and slow change in prices, and to protect the interest in production of enterprises that are losing money for policy reasons that produce a purchase price/market price inversion is truly beneficial. In price reform, government price subsidies also played a positive role in the mental acceptance of price readjustments. Nevertheless such widespread and large price subsidies are increasingly becoming more than the treasury can bear. Therefore, reform of the irrational economic system and price system, reducing price subsidies to the very minimum is a basic task in our reform. In terms of the overall level of popular consumption, these price subsidies should be made a part of GNP. According to data for 1991 in *Chinese Statistical Yearbook*, China's grain and edible oil subsidies totaled 26.77 billion yuan in 1990; meat price adjustment subsidies totaled 4.178

billion yuan; and other price subsidies totaled 7.14 billion yuan for a total of 38.08 billion yuan.

Underestimation of personal investment. By personal investment is meant mostly peasant personal investment in house construction. With the rural economy flourishing, the development of township and town enterprises, and the spread of rural scientific and technical achievements, the peasants' income has risen year by year. The peasant craze to invest in house construction is one mark of this rise. Statistical data show that peasant investment in housing shot up from 16.2 billion yuan in 1982 to 64.978 billion yuan in 1990 for a nearly 16-fold increase and accounting for 83.6 percent of peasant personal investment in fixed assets. The human labor cost of this investment in housing construction is already included in construction industry statistics, but in reality, there is an enormous difference between the human labor cost of construction and the actual cost. This is because most house building in rural villages entails getting friends to help. The builder has to provide a certain amount of consumer goods such as food and beverages, but most of this is omitted from the consumption statistics. Experts concerned figure that human labor expenses were under-reported by about 18.8 billion yuan (1989 figures).

International Comparison of China's Per Capita GNP

By grouping together the above estimates, we can obtain a generally readjusted result for China's GNP in 1990, and calculate GNP at \$495 per capita. (See Table 2)

Table 2. Readjustment of China's 1990 GNP

1990 GNP	1,768,610,000,000 yuan
Underestimated GNP Total	691.93 billion yuan
Including: Enterprise Sideline Businesses and Concurrent Businesses	40 billion yuan
City and Town Residents' Housing	331.57 billion yuan
medical Treatment, Education, and Public Transportation Sector Total Wage Bill	187.08 billion yuan
Service Trades Depreciation	7.64 billion yuan
Government Price Subsidies	38.08 billion yuan
Human Labor Expenses in Personal Investment in House Building	18.8 billion yuan
1990 GNP Following Adjustment	2,460,540,000,000 yuan

In 1990, China's per capita GNP was under-calculated by approximately 691.93 billion yuan, or 39 percent of prevailing GNP. If the GNP following adjustment is used as a basis for calculations, figured at the average international exchange rates for 1988, 1989, and 1990 given in Table 1, China's 1990 GNP should be \$56.433 billion, i.e., a GNP of \$495 per capita, which ranks China eleventh in the world but still a low income nation.

We believe that the above conclusion is fairly consistent with China's actual economic development. The conclusion that some people have reached solely on the basis of their observation of the standard of living of residents of Beijing, Shanghai, and Guangzhou that China's per capita GNP is \$1,000 or more is not consistent with reality. The fact is that great differences in income exist in China between cities and town and rural villages, developed coastal regions and frontier regions, and the north and the south. For institutional and organizational reasons, the infrastructure in large and medium size cities, and in developed coastal regions is fairly well developed, and the welfare benefits that the government provides are fairly high; consequently, their income level is high. For example, in Shanghai it is 5,570 yuan (GNP per capita, renminbi), and in Beijing it is 4,611 yuan, but in border regions such as Ningxia, it is 1,299 yuan, and in Qinghai it is 1,479 yuan. In central China areas such as Jiangxi, it is 1,095, the difference between the highest and the lowest being more than 4,000 yuan. Overall, the number of high income areas are very small. Eighty percent of China's population is an agricultural population, and the average net income of a peasant family is only 629.79 yuan per year (\$144 at the actual average exchange rate). Furthermore, this average includes 60 million peasants whose income is below the 200 yuan per capita poverty line. Not only is the peasants per capita income lower than the national average, but it is also fairly low in comparison with the peasants of other low income nations. Therefore, realization of the year 2000 strategic objective of increasing the peasants' income is an important, integral part of China's economic development objectives. Even though some of China's social indicators meet or exceed those of a medium income nation, China's total economic development and the standard of living of its people provide no cause for optimism. A hard look at this reality holds important significance in making a proper appraisal of China's international standing, for correct formulation of correct economic development policies, and for catching up with and overtaking advanced world levels.

PROVINCIAL

Shanghai To Invest More in Public Utilities

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[Text] Beijing, February 4 (XINHUA)—Shanghai, China's leading industrial city, plans to spend a record 2.2 billion yuan on building public utilities this year, according to the Shanghai-based XINMIN EVENING NEWS today.

The projects include construction and upgrading of two waterworks each with a daily capacity of 100,000 cu m [cubic meters], installation of water pipes, improvement of the quality of drinking water for 120,000 urban residents and 306,000 peasants in rural areas, and the second construction phase of a water-diversion project.

The city plans to build a special wharf and storage facilities for liquefied gas, to supply cooking gas for 200,000 households this year.

While improving urban road conditions, Shanghai will add and extend bus routes and improve the management of taxi services this year, the paper said.

FINANCE, BANKING

Fine-Tuning Double-Entry Budget Methods

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[Article by Zhao Tao (6392 3447): "Study of China's Double-Entry Fiscal Budget Problems"]

[Text] In 1992, China switched from a single entry to a double-entry fiscal budget to meet provisions of *National Budget Control Regulations*. This marks a major advance in the posting method used for the country's national budget, and it marks a major reform in the country's fiscal management system as well. Use of a double-entry budget holds important significance for improving the country's fiscal situation to produce a balanced budget over time.

1. Double-Entry Budget: History, Methodology, and Significance

(1) History of the Double-Entry Budget

Denmark took the lead in double-entry budgeting in 1927, and in 1938 Sweden adopted a double-entry budget. Double-entry budgets were first used in Northern European countries. Between the 1940's and the 1970's, the United States, France, and the United Kingdom adopted double-entry budgets. Today, every European country has adopted this form of budget to one degree or another. Numerous countries in North America, South America, Asia, and Africa have also adopted this budget system. Among Asian countries, Japan, South Korea, and the Philippines have adopted multiple double-entry systems for two or more budgets.

(2) Double-Entry Budget Method

Most double-entry budgets place divide the fiscal receipts and expenditures of the former single budget into a two budget system of a regular budget and a capital budget. The separation of accounts is based largely on the difference in sources and uses of fiscal receipts and expenditures. The posting methods used after this separation of accounts is also different.

1. The Regular Budget

Revenues in the regular budget come from taxes. This is because taxes reflect the role of government as manager of all society in legally collecting taxes from enterprises and citizens. Thus, all tax revenues are treated as regular income. The nature of this source of regular revenue

determines that these revenues must be used to pay for government's day-to-day expenditures, and be used to protect national security and society's needs. Such payments are in the category of government expenditures for day-to-day consumption. These expenditures are also termed regular expenditures. This shows that a regular budget is the people's use of tax revenues to pay for the government's day-to-day expenses in providing services to the public. It reflects the correlation between the people's payment of taxes to the government and the government's consumption of tax revenues. This is what we commonly term "subsistence financing."

Postings in the regular budget are by the reconciliation of receipts and expenditures in accounts. Accounts require that receipts and expenditures balance. The regular budget employs this method for calculating accounts because of the requirement that government's day-to-day expenditures be held within tax revenues, the principle of scrupulous balance between receipts and expenditures maintained in order to promote increased government revenues and reduced expenditures and the practice of economy to reduce and eliminate deficits. If government expenditures are greater than tax receipts, evidencing too great government consumption, receipts not covering disbursements, a deficit will occur in the regular budget. If the government's day-to-day expenditures are less than revenues, the regular budget will show a surplus. This surplus is also termed the "government reserve." A "government reserve" in the regular budget shows a good government financial condition, government being able to use the reserve for investment purposes.

2. The Capital Budget

The capital budget reflects government investment activity after solving subsistence problems. Revenues for the capital budget do not stem directly from taxes. This is the main distinction between a capital budget and a regular budget. Revenues for the capital budget come largely from the regular budget surplus, profits from state assets, and government loans. Capital budget expenditures are mostly for government investment. Therefore, the capital budget reflects the government operation of state-owned assets as well as the correlation among government reserves, government loans, and government investment. This is what is commonly referred to as "constructive financing."

Inasmuch as the main revenue in the capital budget is the surplus from the regular budget, this shows that a double-entry budget follows the principle of "subsistence first, construction later."

A capital budget employs postings on a balance sheet using the basic balance sheet formula that net asset value equals gross asset value minus liabilities. In this formula, the values on each side of the equal sign are always in balance. Net asset value automatically adjusts to meet increases or decreases in liabilities. When liabilities decrease, net asset value increases; when liabilities

increase, net asset value decreases. This feature ensures that the difference between receipts and expenditures in the capital budget are offset by liabilities. However, the liabilities must be used for investment, which must ultimately be greater than the liabilities incurred. If the amount of increase in government liabilities exceeds the amount of increase in net assets value, the difference represents the amount of net decline in state assets.

The posting of the capital budget on a balance sheet introduces enterprise management concepts, which help improve control of government investment and increase returns from the operation of state assets. At the same time, use of the balance sheet makes the correlation between net assets value and liabilities evident at a glance. Not only does the balance sheet clearly reflect the reasons for and uses of the liabilities, but it is also very easy to determine from it whether the speed of increase in liabilities is proper, and to determine whether net asset value is increasing, remaining steady, or decreasing. Although liabilities may be used to satisfy investment needs in the capital budget, at the same time, the balance sheet increases understanding of the increase in liabilities so that liabilities are not allowed to eat away at state assets. Therefore, the speed of increase in liabilities must be controlled to keep the increase in liabilities lower than the increase in state-assets.

(3) Significance of Double-Entry Budgets

Stated concisely, double-entry budgets hold significance in the following three regards: (1) Double-entry budgets get around the shortcoming of single-entry budgets in jumbling together "subsistence" and "construction" funds. The separation into two budgets plays a role in promoting rational and thrifty government use of the taxes that the people pay, as well as effective management of state investment. (2) Once a change is made from a single-entry to a double-entry budget, the concept of a balanced budget undergoes corresponding change. In a regular budget, when government consumption expenditures are greater than tax revenues, the result is a "subsistence financing" deficit. This deficit should usually be smaller than the deficit under single-entry. In a capital budget, the difference between receipts and expenditures can be resolved through liabilities. This increases the source of funds for government investment, thereby expanding government's freedom in making investments. (3) A double-entry budget clearly reflects the reasons for, uses of, and means available for remedying deficits and liabilities, as well as the correlation between state-owned net assets and increased liabilities. Not only does this increase the transparency of both the deficit and liabilities, but also helps in the rational planning of how the deficit and liabilities are to be used, and in determining correctly the effect on the economy of the deficit and liabilities. It facilitates correct determination of the effect on the economy of the deficit and liabilities, particularly a correct determination of what constitutes a rational amount of debt in order to control effectively the speed of increase in liabilities. Consequently a double-entry budget holds

important significance for the correct analysis of the government's actual fiscal condition, for timely readjustment of fiscal policy, and for promoting good government financial operation in order to maintain overall macroeconomic balance.

2. Problems in Chinese Double-Entry Budget

China also adopted double-entry budgets as a means of improving control over fiscal receipts and expenditures and spurring improvement of the country's fiscal situation. China's double-entry budget consists of a regular budget and a construction [jianshexing 1696 6080 1840] budget. Its construction budget is the equivalent of the capital budget of Western countries.

The country's double-entry budget shows a 46.6 billion yuan surplus in the regular budget for 1992.

One might suppose that the existence of such a large regular budget surplus means that China has plentiful financial resources and is in a good operating situation, and that in its day-to-day consumption the government still has substantial room for increasing expenditures. Quite the contrary; the actual situation is that China is in an extremely difficult fiscal predicament as a result of poor economic returns, the inflation of government agencies, the heavy burden that various government subsidies imposes, and the violation of economic laws despite repeated prohibitions. In 1991, the central government had a 18.066 billion yuan deficit, and local governments had a 3.04 billion yuan deficit. End of the year statistics in 1991 show that 1,091 of the country's 2,567 counties and cities ran a deficit in 1990. This was 42.5 percent of all counties and cities in the country. Furthermore, the trend is toward an increase in the number of deficit counties. In Yunnan Province, for example, there were 80-odd deficit counties in 1990; in 1991, the number increased to 102, which was 86.4 percent of the province's 118 counties. In Hunan province, deficit counties numbered 60-odd at the end of 1991, which was 60 percent of the province's 1089 counties. More than 890 of the counties in Henan Province did not have enough money to pay wages. This was 55.6 percent of the province's 144 counties. These events show that the huge 46.6 billion yuan surplus in the regular budget is clearly not consistent with the actual fiscal difficulties of the country. The huge surplus in the regular budget is attributable to some items in the country's double-entry fiscal budget not having been properly categorized.

(1) Defining as Regular Revenue Revenues That Should Be Put Into the Construction Budget. The principle used for items in the double-entry budget is that regular revenues come from taxes. In the current separation of items in China's double-entry budget, two kinds of fiscal revenues that do not come from tax receipts have been included into regular revenues. These two kinds of fiscal revenues are: (1) enterprise income, which is the portion of after-tax profits that enterprises pay the state; and (2) state budget regulation fund revenue. This revenue also

comes from the profits of enterprises. Government receipt of this kind of income amounts to approximately 10 percent of enterprises' retained profits. In China, the system of ownership by the whole people is expressed in state ownership. The profit revenues that government obtains in addition to the taxes that enterprises pay expresses government ownership of enterprise assets. Government has the right to share in the distribution of enterprise profits as enterprise profits permit. Therefore, these two kinds of revenues stem from the government's role as the owner of assets, and not from its role in being in charge of the government. According to the principle for separation of items in a double-entry budget, these two kinds of income should be classed as construction budget items and included in the construction budget. In addition, in classifying them within the double-entry budget, these two items should be integrated with the theory on which the separation of profits and taxes rests. The theory on which the separation of profits and taxes rests is that in order to express the dual status of China's socialist government, the government should collect two different kinds of revenues based on its different status. The separation of profits and taxes is for the purpose of distinguishing between the income that the government collects in its status as being in charge of the government, which is taxes, and the income that the state collects as owner of state-owned assets, which is enterprise profit. Therefore, this is the only reason for the separation of fiscal revenues into profits and taxes. In the division of items in the double-entry budget, if both items are treated as tax revenues and included as regular revenue, this is certainly a confusion of the different character of profits and taxes, and is in conflict with the separation of profits and taxes. Integration of the double-entry budget with the separation of profits and taxes requires that income from these two items be made revenues in the construction budget.

(2) Defining Non-Productive Expenditures of a Consumption Nature as Expenditures in the Construction Budget.

According to the method for separating items in a double-entry budget, nonproductive expenditures of a consumption nature should be included as expenditures in the regular budget. In China's double-entry budget today, however, some of these kinds of expenditures are not defined properly. An example is city expenditures for the support of construction, which are a part of municipal government construction. This includes expenditures for sewage treatment, environmental protection, the greening of parks and gardens, and public utilities, as well as for housing and the maintenance of middle and primary school buildings. Such expenditures are primarily of a consumption nature; they should be treated as expenditures in the regular budget. To include them as investment expenditures in the construction budget is improper.

(3) Listing of Fiscal Disbursements for Regional Policy Purposes as Expenditures in the Construction Budget. Generally speaking, government's regional disbursements for policy purposes are a form of government

subsidy that should be treated as regular expenditures. However, under the present method of separation, such expenditures are listed as expenditures from the construction budget. For example, central government financial assistance to economically undeveloped areas is a central government regional disbursement. These funds are invested for the purpose of adjusting the economic imbalance between one region and another and to narrow the gap between rich and poor regions. Viewed over the long term, such investment benefits development of the economy in poor regions, but it produces no direct benefit for the central government treasury. It is in the nature of a fiscal subsidy by the central government to a local government. Such fiscal subsidies are properly central government day-to-day consumption expenditures. Therefore, such expenditures should be made expenditure items in the regular budget.

(4) Treating the Subsidization of Enterprise Losses as National Fiscal Income. In the present separation of items in the fiscal double-entry budget, subsidization of enterprise losses is divided into subsidization of nonproductive enterprise losses and subsidization of productive enterprise losses. This includes 30.87 billion yuan paid to subsidize the losses of nonproductive enterprises that are listed as income in the regular budget; and 19.821 billion yuan paid to subsidize the losses of productive enterprises, which is listed as income in the construction budget. First of all, such posting makes no sense since fiscal subsidies for enterprise losses are not income; they are a consumption expenditure. Even an illiterate housewife who takes money from her pocket to give to a small child knows very well that this money is a payment not a receipt. If she did not, she would become a laughing-stock. Consequently, to treat the subsidization of enterprise losses as a receipt is quite preposterous. Only when an enterprise incurs a loss for policy reasons must the government pay this as a consumption expense. Second, government payment of this expense applies to enterprise losses resulting from policy reasons. This has nothing to do with whether an enterprise is a productive or a nonproductive enterprise. Even if an enterprise is of the productive kind, this government subsidy is still a payment of a consumption character; it does not become income or a capital input simply because the enterprise is productive in character. Therefore, putting enterprise loss subsidies into the regular budget or the construction budget on the basis of whether the enterprise is a productive enterprise or a nonproductive one is unnecessary. On the basis of the foregoing analysis, nonproductive enterprise loss subsidies in the regular budget, and productive enterprise loss subsidies in the construction budget should be merged, and after they have been merged, they should be posted as an enterprise loss subsidy. Since enterprise loss subsidies are a consumption-type fiscal subsidy, they should be posted as an expenditure in the regular budget.

It should be pointed out that the method of posting enterprise losses as income in the current double-entry

budget follows the old method used in the single-entry budget. Under the old method, subsidies of enterprise losses were always treated as the amount by which enterprise income was reduced; thus, they were listed only as enterprise income in financial receipts and expenditures. Loss subsidies were treated as a deduction from enterprise income; they were not listed separately. Prior to 1985, the money that enterprises paid the government was mostly enterprise income; the difference between the amount of enterprise subsidies and enterprise income was not great. The percentage was small, in addition to which no separation of profits from taxes was required as yet. Consequently, this posting was consistent with realities at that time. Following the second step in the payment of taxes instead of surrendering profits in 1984, the money that enterprises paid the treasury changed from mostly enterprise earnings to mostly taxes. In 1985, enterprises paid the government 62 times more in taxes than in profits. Enterprise earnings fell dramatically and enterprise loss subsidies rose tremendously, climbing from 6.8 billion yuan in 1984 to 12.1 billion yuan in 1985. Since this time, enterprise loss subsidies have increased very rapidly. In recent years, enterprise loss subsidies have become greater and greater, even reaching the point where the treasury is unable to pay loss subsidies to some enterprises. This has resulted in the treasury charging enterprise loss subsidies to an account or paying enterprise loss subsidies with bank loans. Under these circumstances, since enterprise loss subsidies greatly exceed enterprise earnings, continued use of the old method of treating them as a reduction of enterprise income is divorced from the already changed realities. It is extremely inappropriate. Moreover, the time has come when diligent efforts must be made to solve the enterprise loss subsidization problem. Only by having a separate item for enterprise loss subsidies, and regarding them as ordinary expenditures is it possible to see the burden on fiscal expenditures that enterprise loss subsidies occasion, as well as the role they play in fiscal deficits.

To summarize the foregoing, current problems in the country's double-entry fiscal budget stem mostly from improper attribution of some items.

3. The Post-Readjustment Double-Entry Budget

If the foregoing items that are not properly classified are readjusted, the double-entry budget will produce a different result.

(1) The Regular Budget

1. Regular revenues must be divided into three categories, which will change such revenues from 302.241 billion yuan to 315.144 billion yuan.

In the former double-entry budget, regular revenues totaled 302.241 billion yuan, including the following items: (1) various tax receipts: 304.242 billion yuan; (2) enterprise income: 5.667 billion yuan; (3) national budget regulation fund revenues: 1.23 billion yuan; (4)

various other revenues: 10.902 billion yuan; and (5) nonproductive enterprise loss subsidies: -30.87 billion yuan.

The three items requiring adjustment are: Enterprise income in item 2 next above, and national budget regulation fund revenue in item 3, which should be removed from the regular income category and placed in the construction revenue category because of the nature of the source of these revenues. The nonproductive enterprise loss subsidies in category 5 are not income; they should be taken out of the income category and put into the regular budget expenditures category. Following these adjustments, two regular revenue items remain: (1) various tax receipts: 304.242 billion yuan; and (2) various other revenues: 10.902 billion. Regular revenues following these readjustments total 315.144 billion yuan.

2. Regular expenditures should be divided into three categories, changing regular expenditures from 257.631 billion yuan to 323.351 billion yuan.

In the former double-entry budget, regular expenditures totaled 257.631 billion yuan, including the following items: (1) non-productive capital construction expenditures: 15.52 billion yuan; (2) enterprise development and social security expenditures: 101.977 billion yuan; (3) national political power building expenditures: 77.181 billion yuan; (4) price subsidy expenditures: 33.602 billion yuan; (5) various other expenditures: 26.651 billion yuan; (6) and central government and local government reserve expenses: 2.7 billion yuan.

The needed readjustment is addition of three more items to regular expenditures as follows: (1) enterprise loss subsidies: 50.691 billion (i.e., a merger of the non-productive enterprise loss subsidies of 30.87 billion yuan carried as revenue in the former regular budget, and the productive enterprise loss subsidy of 19.821 billion yuan in the former construction budget, and listing it as a regular expenditure); (2) municipal support and construction expenditures (moved from the expenditures category in the constructive budget); and (3) disbursements to economically undeveloped areas (moved from the expenditures category in the construction budget). Following these adjustments, regular expenditures will include the following: (1) nonproductive capital construction expenditures: 15.52 billion yuan; (2) enterprise development and social security expenditures: 101.977 billion yuan; (3) national political power building expenditures: 77.181 billion yuan; (4) price subsidy expenditures: 33.602 billion; (5) enterprise loss subsidy expenditures: 50.691 billion yuan; (6) municipal construction support and construction expenditures: 13.21 billion yuan; (7) disbursements to economically undeveloped areas: 1.819 billion yuan; (8) various other expenditures: 26.651 billion yuan; and (9) central government and local government reserve expenses: 2.7 billion yuan. Following these adjustments, regular expenditures will total 323.351 billion yuan.

3. After the adjustments, the regular budget will show a deficit of 8.207 billion yuan rather than a surplus of 46.61 billion yuan.

In the original regular budget, revenues totaled 302.241 billion yuan and expenditures totaled 257.631 billion yuan for a surplus of 46.61 billion yuan. Following the above adjustments, regular revenues are 315.144 billion yuan and regular expenditures are 323.351 billion yuan for a -8.207 billion yuan shortfall. This demonstrates that following some adjustment of the original categories using the double-entry budget categorization methods, a very great change occurs in the regular budget results. Day-to-day government consumption expenditures are already exceeding tax revenues, income falling short of expenditures in "subsistence financing."

(2) The Construction Budget

1. Two items must be eliminated under construction revenues, and three items moved from elsewhere, changing revenues from 74.957 billion yuan to 147.576 billion yuan.

Original construction income totaled 74.957 billion yuan including the following items: (1) Transfer from the regular budget surplus: 44.61 billion yuan; (2) special purpose construction revenue: 47.368 billion yuan; (3) other revenue: 2.8 billion yuan; and (4) productive enterprise loss subsidies -19.821 billion yuan.

Five items require adjustment. First is the elimination of two items, namely: (1) the original regular budget surplus of 46.61 billion yuan should be abolished since it ceases to exist following adjustment; (2) the original item 4 productive enterprise loss subsidy of -19.821 billion yuan has been merged into regular budget expenditures, the enterprise loss subsidy amounting to 50.691 billion yuan; therefore, this item should be eliminated. Second is the addition of three items as follows: (1) Transfer from the former regular revenues into enterprise revenues; (2) transfer of national budget regulation fund revenues from the former regular revenues into national budget regulation fund revenues; and (3) clearly listing liabilities in the constructive project income category. Following adjustment, the construction revenues category becomes: (1) enterprise revenue: 5.667 billion yuan; (2) special purpose construction revenues: 47.368 billion yuan; (3) national budget regulation fund revenue: 12.3 billion yuan; (4) other revenue: 2.8 billion yuan; and (5) liability income: 79.411 billion yuan (including: domestic debt income: 38 billion yuan, foreign loan income: 20.625 billion yuan; and bank loans: 20.784 billion yuan). Total construction revenue is 147.576 billion yuan, including nonliability income of 68.135 billion yuan.

2. Two items in construction expenditures must be eliminated, changing construction expenditures from 154.368 billion yuan to 139.339 billion yuan.

The original construction expenditures total 154.368 billion yuan, including the following: (1) productive

capital construction expenditures: 58.457 billion yuan; (2) the enterprise potential tapping and technological transformation fund, and new product twirl manufacturing expenses: 17.973 billion yuan; (3) increased enterprise working capital: 1.018 billion yuan; (4) geological prospecting fees: 4.263 billion yuan; (5) expenditures to support agricultural production: 13.653 billion yuan; (6) municipal expenditures to support construction: 13.21 billion yuan; (7) funds to support development of economically undeveloped areas: 1.819 billion yuan; (8) commercial unit expenditures to simplify building; (9) expenditures for the repayment of capital and interest on domestic and foreign debt (including, 34.653 billion yuan for repayment of domestic debt principal and interest, and 8.352 billion yuan for foreign debt principal and interest repayment). Two items require adjustment, namely item 6 expenditures of 13.21 billion yuan for municipal construction and to support construction, and item 7 funds to support the development of economically undeveloped areas totaling 1.819 billion yuan. Since these two items have been put into regular expenditures, they must be deleted from construction expenditures. After adjustment, seven times will remain under construction expenditures, expenditures totaling 139.339 billion yuan.

3. After readjustment, the construction budget net loss will change from -79.411 billion yuan to -8.207 billion yuan.

In the original budget, construction revenues totaled 74.957 billion yuan and expenditures totaled 154.368 billion yuan leaving a -79.411 billion yuan net loss. This net loss was made up through borrowing. Domestic debt was 38 billion yuan; foreign debt was 20.625 billion yuan; and bank loans totaled 20.784 billion yuan. After adjustment, construction revenues total 147.546 billion yuan (including debt revenues of 79.411 billion yuan), and construction expenditures total 139.339 billion yuan for a -8.207 billion yuan shortfall, which happens to be the deficit in the regular budget.

(3) Figuring Net Assets Value, Net Decline in State-Owned Assets and Maximum Indebtedness To Determine the Fiscal Year Status of State-Owned Assets and Liabilities.

The purpose of a double-entry budget, particularly a capital budget, is to determine the correlation between state-owned assets and liabilities in order to control debt within reasonable bounds. Therefore, after obtaining a result for the construction budget, a final procedure must be carried out in the double-entry budget, namely calculating net asset value, net decline in state-owned assets, and maximum indebtedness to make a determination as to whether the state-owned assets and liabilities situation, and the speed of increase in liabilities for the 1992 fiscal year budget are appropriate.

1. Calculation of the formation of state-owned net assets value during FY 1992.

The balance sheet formula used is as follows: net assets value = gross assets - liabilities. Since gross assets, i.e., current year gross assets formation, are represented by construction expenditures in the construction budget, the formula may be alternatively written as: net assets value = construction expenditures - liabilities. Substitution of values produces the following formula: net assets value = 139.339 billion yuan - 79.411 billion yuan = 59.928 billion yuan. The conclusion reached as a result of this calculation is that net asset value for FY 1992 is 59.928 billion yuan.

2. Calculating net decline in state-owned assets.

In order to determine further the correlation between net assets value and liabilities, the following formula may be used: decline in state-owned assets value = liabilities - net assets value. Substituting values produces the following: decline in state-owned assets value = 79.411 billion yuan - 59.928 billion yuan = 19.483 billion yuan. This permits the judgment that since the increase in net assets value is lower than the increase in liabilities during FY 1992, a 19.483 billion yuan deficit will result.

3. Calculating Maximum Liabilities for the Fiscal Year

When maximum liabilities are an unknown quantity, another method may be used to calculate maximum liabilities during a fiscal year, using this as a standard for determining a suitable amount of liabilities for the fiscal year.

The formula to be used is as follows: Maximum fiscal year liabilities = self-invested funds - the deficit in the regular budget. Since the self-invested funds are the non-debt construction revenues in the construction budget, the above formula may be written as follows: Maximum fiscal year liabilities = non-debt construction revenues - the regular budget deficit. By substituting values, the maximum amount of liability in the fiscal year = 68.135 billion yuan - 8.207 billion yuan = 59.928 billion yuan. The calculations show maximum liabilities for FY 1992 of 59.928 billion yuan, an amount equal to state-owned net asset value for the same fiscal year. This means that maximum liabilities of 59.928 billion yuan for FY 1992 is the standard for determining the amount of liabilities. If the liabilities equal 59.928 billion yuan, the net value of state-owned-assets remains steady, showing neither increase nor loss. If liabilities are less than 59.928 million yuan, net asset value increases. If liabilities are greater than 59.928 billion yuan, the net loss between liabilities and 59.928 billion yuan is the amount of decline in the net value of state-owned assets. Therefore, 59.928 billion yuan is also the maximum of amount of debt that can be incurred for the current year. Generally speaking, borrowing should be controlled within this figure in order to ensure that state-owned assets do not become eroded by liabilities leading to a deficit.

Use of the foregoing three main formulas can show the following correlation among government investment, liabilities, and assets: Government investment may not

exceed national strength. Once the scale of investment becomes too large, liabilities exceeding the maximum amount of liability for the fiscal year, investment will not bring a flourishing of state-owned assets, but a loss of state-owned assets. Thus, under these circumstances, a cutback in the scale of investment, borrowing less is advisable. Positively, there must be no mindless expansion of government investment.

A look at the situation during FY 1992. Inasmuch as the national budget called for 59.928 billion yuan of state-owned assets in 1992, and for maximum liabilities of 59.928 billion yuan for the same period, since actual loans totaled 74.911 billion yuan, liabilities exceeded net asset growth; thus, state assets declined by a net 19.483 billion yuan.

This conclusion of the construction budget further reflects the reality of China's fiscal difficulties, while showing at the same time that the scale of government fund raising excess national strength and too great an increase in debt requiring clear-cut and effective control of the increase in liabilities so as to ensure that state-owned assets are not eaten away by debt for gradually improvement of the fiscal situation.

4. Comparison of and Recommendations About the Two Posting Methods

(1) Comparison of the Two Posting Methods

The foregoing analysis shows: (1) under the original posting method, the regular budget had a surplus of 46.61 billion yuan; under the latter posting method, a -8.207 billion yuan deficit occurred. Comparison of the two shows the latter to be consistent with the country's actual fiscal circumstances. This is because the real financial situation does not depend solely on budget calculations. Objective standards exist for judging the fiscal situation, and people can genuinely understand them in real economic life. If fiscal difficulties exist in real economic life, the budget should recognize these difficulties and realistically reflect them. The budget should also clearly show the cause of these difficulties, and provide recommendations for finding ways and means to solve them. If the budget is not properly posted and departs from reality, not only is it difficult to convince people, but it also covers up contradictions, which ultimately hurts understanding and solution of the problems. (2) In the original posting method, the net loss of -79.411 billion yuan resulted from construction, giving the impression that fiscal problems were merely a problem of too much investment. The second posting method clearly shows that the constructive investment was premised on a "subsistence financing" deficit. Thus, both "subsistence" and "construction" financing contained elements that exceeded national strength. (3) The original posting method made it difficult to obtain a

clear picture of the reasons for, the uses of, and the channels for curing deficit and debt. The second posting method remedied this shortcoming. (4) In the original posting method, the amount by which construction investment exceeded national strength, and at how many billion yuan indebtedness should be controlled was unclear. Two quantitative standards existed for judging these important fiscal parameters. Consequently, although the first posting method also used the double-entry budget, it could not express the superiority of double-entry budgets. Use of the latter posting methods can clearly provide concrete figures for net asset value, maximum fiscal year liabilities, and such important fiscal parameters. Comparison of logarithm values permits accurate determination of the correlation among assets, investment, and liabilities. This helps decide a reasonable amount of debt for the fiscal year and timely readjustment of fiscal policy for effective control of debt growth that ensures that state-owned assets are not eaten away by debt.

To summarize, the second posting method rigorously follows the double-entry budget method; thus the budget clearly reflects the real fiscal situation. It can provide quantity indices for important fiscal parameters, fairly easily and accurately determine the actual deficit and liabilities, and their effect on the national economy's overall balance, thereby fully demonstrating the superiority of the double-entry system over the single-entry system.

(2) Several Suggestions (1) Further study and re-examination of the present double-entry budget posting method is suggested. Insofar as possible, the pertinent rational methods for making distinctions and classifications contained in this article might be incorporated. Efforts must be made constantly to improve the double-entry budget so that it plays the role that a double-entry budget should play in making a contribution to the improvement of the country's fiscal situation. (2) In view of this article's conclusion that liabilities are increasing too rapidly today, less government borrowing is suggested to bring the increase in debt under effective control. (3) It is suggested that the fiscal authorities will work together with the departments concerned on ways to reform the expenditures that create a large fiscal burden, such as per capita costs, enterprise loss subsidies, and price subsidies for gradual solution to these problems. (4) This article concludes that the FY 1992 budget's regular budget deficit will amount to -8.207 billion yuan, liabilities increasing faster than state-owned net assets increase thereby causing a 19.483 billion yuan drop in state-owned net assets. Therefore, the fiscal situation is fairly grim. At the present time, not only do the central government and provincial governments show a deficit, but nearly half of the counties and cities in the country also show a deficit. These fiscal difficulties must be given sufficient attention by all leading organs at all levels from the central government to local governments.

POPULATION

Article Views Poor Results of Birth Control Measures

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[POPULATION AND ECONOMICS] in Chinese No 74,
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[Article by Deng Guosheng (6772 0948 0524), affiliated with the Population Department of Jiangxi Teachers College: "More Attention Needs To Be Paid to Our Poor Birth Control Results"]

[Excerpts] While those in current academic circles are unanimous about multiple childbearing and too early marriage and childbearing being the two greatest family planning problems, studies of these two problems still do not seem to be paying enough attention to another key family planning problem—poor birth control results. [passage omitted]

II. The Makeup and Results of the Various Birth Control Methods That China Is Using

Most married Chinese women of childbearing age (or their husbands) use one or more birth control methods. A 0.1-percent sampling of population birthrate in 1982 and a 0.2-percent national sampling of birth control in 1988 show that China's birth-control rate of 69 percent in 1982 had risen to 71 percent by 1988, with sterilization accounting for a high and rising percentage of birth control methods. The 35.28 percent of all birth control methods accounted for by sterilization of married women of childbearing age (or their husbands) in 1982 had risen to 49.22 percent by 1988. And if we add in the number of women using intrauterine devices (IUD's), the 102 million people, or 85.4 percent of all Chinese birth control accounted for by long-term birth control methods in 1982, had increased to 133 million, or 90.69 percent, by 1988. [passage omitted]

But while China has a high birth-control rate, our birth control results are certainly not ideal, with high numbers and percentages of women still becoming pregnant despite using various birth control methods. Studies [passage omitted] of China's incidence of induced abortion show it being highest at 26.1 percent for those who use condoms for birth control, second at 25.4 percent for use of the rhythm method, third at 17.1 percent for the pill, lower at 8.5 percent for the IUD, and lowest for sterilization.

III. The Problems Caused by Ineffective Birth Control

1. Large Numbers of Unplanned Pregnancies

A survey in Dongtai Township, Jiangsu Province found that 87.5 percent, or 392, of Dongtai's 448 unplanned pregnancies were caused by birth control failures, while only 12.5 percent resulted from not using birth control or other factors.

And a 1992 sampling in Nancheng County, Jiangxi Province by the Population Teaching and Research Section at Jiangxi Teachers College found that 74 percent of rural unplanned pregnancies were due to failed birth control.

While these two surveys both had too small samplings, their data still shows that a high percentage of unplanned pregnancies in China's rural areas are caused by birth control failures. Such a large number of unplanned pregnancies is an unavoidably objective factor in our great difficulty in meeting family planning targets.

2. A Rising Induced Abortion Rate

Data from the 0.1-percent sampling of population birthrate in 1982 showed that 30 percent of induced abortions were caused by birth control failures. A 1988 survey by Beijing U's Population Institute of five villages in Changping County, Beijing Municipality [passage omitted] found that 90 percent of induced abortions in women of childbearing age were due to birth control failures. And in the Dongtai Township, Jiangsu Province survey [passage omitted], 302 of the 396 women surveyed had miscarriage and abortion histories, with most of their 518 miscarriages and abortions, and their 441 abortions, or 85.14 percent, being due to birth control failures. It is thus obvious that birth control failures cause most induced abortions among married women of childbearing age, with induced abortion being a severe physical and psychological female health problem.

3. Large Numbers of Beyond-Plan Births

A population marriage and childbearing survey of 10,000 families in Longchuan County, Guangdong Province finds that the top beyond-plan birth factor is the desire for male children, the second is birth control failure, and others in decreasing order are the desire for a complete family with both a son and a daughter, support for the aged, strength in numbers, concern over children dying young or becoming disabled, and pressure from the older generation.

A survey that I did in 1991 of 109 rural beyond-plan children in Nancheng County, Jiangxi Province found that 56, or 51.4 percent, were beyond-plan because of contraceptive birth control failures. This shows that if China's rural birth control effectiveness can be raised sharply, our rural above-plan births can be greatly reduced, and our population birthrate and natural birthrate will also fall significantly.

4. Harder Work for Family Planning Cadres

Women who experience unplanned pregnancies fall into the following two categories: 1) those who use a long-term contraceptive birth control method, but get pregnant due to birth control failures; 2) those who get pregnant because they do not use a long-term contraceptive birth control method.

While family planning cadres can boldly indoctrinate and urge induced abortion in line with national population policy and provincial family planning regulations for women who get pregnant because they do not use a long-term birth control method, it is harder for them to deal with women who experience unplanned pregnancies due to IUD-installation or tube-tying failures. Some of these women feel one-sidedly that pregnancies after getting IUD's or having their tubes tied are not their responsibility, so that the resulting extra children are justified. Moreover, most of them have already undergone one or more induced-abortion operations. I have been told by certain family planning cadres that most of them feel that this problem is a real headache, and that it is very hard to urge women with such unplanned pregnancies to have abortions.

IV. The Causes of Birth Control Ineffectiveness

China's poor birth control effectiveness is due mainly to the following factors:

1. Too little per capita funding for birth control drugs and contraceptive devices, and poor results from the ones in common use. While China has invested much in birth control drugs and devices, our per capita funding for birth control drugs and contraceptive devices is low because it is spread out over too many people. This means that stainless steel single-loop IUD's with high slippage and failure rates are still in use widespread rural areas, while it remains hard to disseminate the better-quality T-shaped copper loop that costs about 10 times as much, as well as certain other more expensive birth control drugs and contraceptive devices. In addition, our low funding also affects our development and dissemination of new contraceptive drugs and devices, thus keeping our birth control effectiveness poor.

2. Unskilled family planning and health care workers. As a great many of the technicians in village-level health care departments in China's rural areas have not had specialized technical training in installing IUD's and tying tubes, they often make mistakes when installing intrauterine devices over understanding of installation periods, accuracy of installation position, and choice of device type, all of which keep our birth control effectiveness poor. In addition, the concerned village-level personnel have limited knowledge of birth control methods per se, with some not understanding matters that should be paid attention to after IUD installation or tube tying, and lacking an understanding of the contraindications and side effects of oral contraceptives and intrauterine contraceptive devices, and even of the rhythm method, not to speak of any ability to publicize or teach married women of childbearing age about contraception and birth control. This is at least partly the cause of our high birth control failure rate.

V. Conclusions [passage omitted]

While the almost 200 million married Chinese women of childbearing age who now use birth control measures

gives us a very high birth-control rate, our birth control effectiveness remains very poor. It is estimated that birth control failures account for roughly three-fourths of China's unplanned pregnancies, almost 90 percent of our induced abortions, and about one-half of our beyond-plan children. So our high birth control failure rate not only increases the burdens on our vast numbers of family planning cadres and endangers the physical and psychological health of our women, but also puts enormous pressure on China's population control. [passage omitted]

Conference on Population Problems in Southwest

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[Article by Li Shizhao and Wei Yi: "Roundup of the Third Demography Symposium of Southwest China"]

[Excerpts] [Passage omitted] In order to give full play to the role of the data from the fourth census so that demography can better serve the government's decision-making process, the census offices of the four provinces and autonomous regions jointly sponsored the Third Demography Symposium of Southwest China" held on June 28-July 5, 1992, in Nanning, Guangxi. [passage omitted]

The papers presented at the symposium involved many subjects. The participants conducted discussions mainly around the following issues:

1. *The issue of population growth.* In 1990, the total population of the four provinces and autonomous regions of Sichuan, Guizhou, Yunnan, and Guangxi reached 219 million, close to one-fifth the total population of the country, and thus the population base figure was rather large. In the period between the third and fourth censuses, the strong momentum of rapid population growth was suppressed. But as the population group of child-bearing age is growing yearly, the third birth peak is in sight. Therefore, the population situation is still very serious. This is especially so in Guizhou, Yunnan, and Guangxi where the population growth rate is still higher than the national rate and where the situation of excessively fast population growth remains to be corrected. The participants were of the view that too large a population base figure and the excessive population growth rate were not conducive to the rapid raising of per capita economic standards, and that while land and other resources were limited, excessive pressures on the economy would constrain economic development and affect the raising of people's living standards. Therefore, it is imperative to continue to enhance the work on population control and carry out constant, relentless efforts on the matter.

2. *The issue of the transfer of rural labor force.* The transformation of the employment structure for the labor force has started, but the transformation is going on at a low rate, a rate much lower than the national

average. And the employment structure thus remains a backward one in a relative sense. This is a common feature for all the provinces and autonomous regions of the Southwest. In 1990, in terms of the share of the working population in Sichuan, Guizhou, Yunnan, and Guangxi respectively, the primary industry's share was 82.46 percent, 85.48 percent, 84.2 percent, and 83.45 percent respectively; the secondary industry's share was 8.94 percent, 6.52 percent, 7.4 percent, and 6.75 percent respectively; and the tertiary industry's share was 8.6 percent, 8 percent, 8.4 percent, and 9.8 percent respectively. The participants were of the view that in order to accelerate economic development, it was necessary to vigorously develop the secondary and tertiary industries, and adjust the industrial structure in a rational manner. At the same time, an important aspect of adjusting the industrial structure is to promote the transfer of rural labor force. Due to the factor of the age-composition of the population, the working-age population will grow yearly in the future, and therefore the problems of land shortage and surplus labor force in the countryside will become ever more prominent. As a result, there will be serious employment problem for the labor force. The way to resolve this problem is to promote the transfer of surplus rural labor force. During the discussions, different views were expressed on the costs and benefits of transferring rural labor force. The general agreement reached at the end was that the transfer of rural labor force was a sign of social progress and social development, and that the main way to achieve accelerated transfer was to move from undiversified grain and oil seeds production to diversified operations encompassing agriculture, forestry, animal husbandry, side-line production, and fishery, and to vigorously develop township enterprises, so as to achieve the transfer of rural labor force locally. Surely, there have occurred some difficulties and problems in the process of the movement of rural labor force. Its concentration in cities would exacerbate the problem of supplies for cities, affect social order, and make the work on family planning more difficult. However, it is necessary to see the dominant aspect of the matter and the resultant good economic and social benefits. It is necessary not to institute, as in the past, restrictions through issuing crude administrative commands. It is necessary to set up a labor service market, and provide rational guidance and regulation.

3. *The issues of marriage and birth.* According to the participants, the average first-marriage age for the population of the Southwest region is now lower than at the time of the third census. But, the phenomenon of early marriage is spreading widely; the number of people who marry before the statutory marriage age is doubling. Early marriages lead to early births, and are thus not conducive to preventing the growth of the population at an excessive rate. Therefore it is necessary to pay attention to the above-mentioned matter. With regard to the issue of birth, family planning work in the past eight years has produced marked results. In 1989, the general fertility rate and overall fertility rate for the women of child-bearing age of the four provinces and autonomous

regions of the Southwest were reduced by 1.927 percentage points and 1.02 respectively, as compared with those of 1981. Compared with the national average, the levels for Guangxi, Guizhou, and Yunnan are still higher than the national average, and the differences are large. The problem of early birth remains significant, and the proportion of couples having more than one child remains large. Some participants conducted comparative analysis of the child-bearing situations of women with different socioeconomic characteristics, and analyzed the various factors affecting child-bearing. They expressed the view that the main factor affecting the fertility rate now was a policy one, and that in the future, in addition to using policy measures, there would also be room for using the influence of economic and cultural factors to produce a lowering of the fertility rate. The provinces and autonomous regions of the Southwest, the participants suggested, must further enhance their family planning work and give priority to the work in rural areas. It is necessary to make controlling the phenomena of early marriage and early birth and preventing multiple births the main objectives. It is necessary to change the crash-job work style and be persistent and relentless in carrying out family-planning propaganda and education. At the same time, it is necessary to be practical and to establish social insurance and social security systems which are supported jointly by the state, collectives, and individuals, so as to eliminate the masses' worries about their old age.

4. *The issue of the cultural quality of the population.* According to the participants, since the third census, the education levels of the population of the four provinces and autonomous regions of the Southwest have been raised, but the proportion of those with high education levels in the population is still too small. The overall cultural quality of the population is still lower than the national average. In terms of the number of people with various education levels as share of a population of ten thousand, the share of those with college educations for the four provinces and autonomous regions of the Southwest is only 61.53 percent of that for the total population of China; the share of those with high-school education is 65.05 percent; and the share of those with lower-middle school education is 80.67 percent. The differences in relation to college and high school education are thus larger. Science and technology are the first productive force. The situation where the proportion of those with high education levels in the population is small is not compatible with the development of the reform and opening to the outside world and of the modernization construction. During the discussions, the participants also said that it was happy news that the illiteracy rate for the four provinces and autonomous regions of the Southwest had been reduced, but that the work to eliminate illiteracy was only a make-up effort; that as improving the overall cultural quality of the population was a strategic matter, it was necessary to take a long-term point of view; and that it was necessary to start from spreading basic education, while giving attention to accelerating the development of higher education.

5. *The issue of minority nationality population.* In the four provinces and autonomous regions of the Southwest, there is a large number of minority nationalities and the total population of minority nationalities is rather large. According to the fourth census, the population for the minority nationalities is 45.07 million, representing 49.32 percent of the total population of minority nationalities nationwide. Of the fifty-six minority nationalities in the country, fifty-five have members in the four provinces and autonomous regions of the Southwest. Of the four, Guangxi, Yunnan, and Guizhou are the only three provinces and autonomous regions in the country which each have a minority nationality population of over 10 million. The four provinces and autonomous regions of the Southwest are thus very important with regard to the study of minority nationality population. Since the third census, the minority nationality population has been growing rapidly. In the period between the third and fourth censuses, Sichuan's minority nationality population grew by 33.6 percent, representing an average annual rate 3.7 percent which is higher than that for the Han nationality by 460 percent. In Guizhou, the minority nationality population grew by 51.44 percent, but the Han nationality population grew by only 0.09 percent. In Yunnan, the minority nationality population grew by 19.62 percent, representing an average annual growth rate of 2.27 percent, which is higher than the average annual growth rate for the Han nationality population by 1 percentage point. In Guangxi, the minority nationality population grew by 18.96 percent, representing an average annual growth rate of 2.2 percent. The growth was larger than that for the Han nationality population by 4.82 percentage points, while the growth rate was higher than that for the Han nationality population by 0.53 percentage points. In addition to the high natural population growth rate resulting from the relatively relaxed birth policy for the minority nationality population, the rather rapid growth of the minority nationality population was also caused by the implementation of the various minority nationality policies and the preferential treatment with regard to employment, recruitment of officials, college enrollment, and opportunity for military service. Because of those policies and preferences, since the mid-1980's, the number of people restoring, or applying for change into, minority nationality status has greatly increased. At the same time, because of those policies, most of the children born to couples of mixed minority-Han nationalities have been registered as of minority nationalities. The participants generally held that minority nationalities should also practice family planning, and that this was required for the prosperity and progress of minority nationalities themselves. Only a control over the momentum of population growth at an excessive rate can be conducive to the improvement of the quality of the minority nationality population and to the economic development of the minority nationality regions. [passage omitted]

Southern Jiangsu Model of Population Change Discussed

93CE0208A Beijing ZHONGGUO RENKOU BAO
in Chinese 23 Nov 92 p 3

[Article by Xia Haiyong (1115 3189 0516): "Ways To Change the Population Today—Experience and Theory of the Southern Jiangsu Model"; the first segment in *italics* is a source-supplied introduction]

[Excerpt] **Editorial Note:** *In the 1970's, southern Jiangsu, as represented by Suzhou, began to change over to the modern population reproduction mode characterized by low birth rate, low mortality rate, and low natural population increase rate, and since the 1980's, it has entered this "three low" stage, controlling the population at a fairly stable level and accumulating much experience.*

In May 1992, the Chinese Population Science Society, ZHONGGUO RENKOU BAO, and the Jiangsu Provincial Family Planning Commission sponsored a symposium, "The Southern Jiangsu Model of Modern Population Change" in Jiangsu Province's Suzhou City. Experts and scholars, field workers, and journalists from Beijing, Shanghai, Jiangsu, Shandong, Guangdong, and Fujian and other provinces and municipalities were invited to attend. The symposium mainly discussed the relationship between population reproduction and social-economic development and how to further improve family planning work and promote modern population change in China. The symposium received many papers, and comrades who attended the meeting engaged in enthusiastic debates. Comrade Peng Peiyun [1756 3805 0061], minister of the State Family Planning Commission, delivered a major speech (published in ZHONGGUO RENKOU BAO, 5 June, p 1), and subsequently, XINHUA SHE, RENMIN RIBAO, CTV, ZHONGGUO RIBAO, and other central news units all gave the meeting full coverage.

The theory and practice of the southern Jiangsu model are especially important to the nation's family planning work. In particular, since the 14th National Party Congress, the nation has stepped up the pace of reform and opening up and the modernization process to develop the socialist market economy, and so far as the southern Jiangsu area whose economy is dominated by township enterprises is concerned, its modern population change no doubt is closely related to the development of the socialist market economy. Here we have printed the main arguments of several papers and excerpts from speeches delivered at the symposium for our readers' reference.

Social-Economic Development and Perfection of Family Planning Work—Lessons From the Southern Jiangsu Rural Population Change—Wu Cangping [6762 3318 5493] and Zhong Sheng [6988 5116]

Looking at the changes in the birth rate and in marriage age, southern Jiangsu's modern population change is a fact, and this change is a stable one. The main causes of

the rapid decline in birth rate in rural southern Jiangsu are: (a) Its social-economic development has reached a certain level which creates the positive conditions for lowering the birth rate. These include improvements in public health, health-care for women and children, compulsory education and so on. (b) The highly successful family planning work helps to guide and accelerate the decline and change in birth rate. This includes propaganda and education, birth control, and grass-roots constructions and so on. (c) The Shanghai cultural area's low birth-rate has substantial impact on southern Jiangsu. The southern Jiangsu model teaches us that the decline in birth rate is a function of the level of social-economic development and the amount of effort spent on family planning, and the cultural factor is also an important factor in lowering the birth rate. The "preemptive control theory of family planning" and "extra-economic control theory" only look at the low per capita income but do not recognize that China has other conditions conducive to lowering the birth rate, even less do they notice China's advantageous social conditions. "Development is the best contraceptive" only emphasizes development and believes with social-economic development, the birth rate will naturally decline, but it does not recognize the important role family planning plays in lowering the birth rate. "China's declining birth rate is dependent on political force and administrative measures"—this kind of emphasis on the purpose of family planning is superficial and is often misinterpreted as coercion. The sustained and steady decline in birth rate in southern Jiangsu cannot be explained by political force or administrative measures alone.

The Post-Population-Change Period: The Significance of the Southern Jiangsu Model—Zhu Guohung [2612 0948 1347]

There are two main population change models in the world, namely, the "European model" and the "Japanese model." The one characteristic they share is their modernization-oriented development. But China's population change, especially southern Jiangsu's, has followed a completely different path: In sharp contrast, it took place when the level of modernization was still very low, and it has its own unique characteristics. Southern Jiangsu completed its population change back in the early 1970's, but because of the change fell short of the population control goal, population control continued in the 1980's. This period can be called the "post-population-change" period. In studying the modern nature of southern Jiangsu's population change, what we should pay attention to is not only that its population change has reached the level of the developed nations but what is more important is the backdrop of the occurrence and the completion of its population change, that is, the many social and cultural effects of southern Jiangsu as a large urban diffusion zone. The southern Jiangsu model is vital to China's population control. Economic development is not the only cause of population change; a even more important cause is the modernization in different areas brought about by economic development.

The Southern Jiangsu Model of Modern Population Change—A Case Study of Suzhou City—Mu Guangzong [4476 0342 1350]

Modern population change not only has started in Suzhou but it is almost complete. Looking at the causes of Suzhou's modern population change, economic variables really have little effect on the early stage of population change; instead, the compelling power and guiding force of family planning have the most direct and the strongest impact on the initial lowering of the high birth rate. One of the main reasons for Suzhou's fairly quick completion of its population change is that the spontaneous forces accumulated during the conversion to the nonagricultural economy have been given a strong boost, and mainly by attacking the traditional culture while introducing modern education on reproduction, the late-stage change in the birth rate is able to gain momentum. The southern Jiangsu model is based on the development of the nonagricultural sectors, supported by the growing collective economy, backed by urban-rural integration, encouraged by a variety of propaganda and education and all-encompassing qualifying services, and disciplined by very strict family planning management; its purpose is to guide the masses to make family planning a conscious choice, and it brings about the population change in a good social environment conducive to family planning, and it is continuously being perfected and augmented in the modernization process.

Southern Jiangsu's Modern Population Change Model and Its Operating Mechanisms—Xia Haiyong

The speed, the magnitude, and the stability of the population change in southern Jiangsu are different from the Western, nor do they fit the Chinese, population change model. It forms a unique model of its own. Township enterprises' fairly elastic employment opportunities and their contribution to agricultural growth have facilitated southern Jiangsu's rural industrialization and have modernized its agriculture, which laid the good social-economic foundation for the area's population change from start to finish. By introducing the "profit mechanism" to population's macroeconomic control and microeconomic regulation processes and working in the employment, distribution, protection, and welfare links, they have generated a benign population and economic cycle. These are the guarantees of the final formation and perfection of the southern Jiangsu population change model. Southern Jiangsu's collective economy, which is based primarily on the community ownership system, has increased the peasants' dependence on the community and has forged close ties between communal interests and personal interests. This plays an indispensable role in guaranteeing that the internal mechanisms of the southern Jiangsu population change model will function properly.

Women's Reproduction Level and Related Factors in the Southern Jiangsu Model—Xu Guoqiang [1776 0948 1730], Chan Min [7115 2404], and Pei Yuchun [5952 6735 2504]

Southern Jiangsu's rural birth rate, once affected by the peak reproduction rate, is now effectively under control. The reproductive mode of women of child-bearing age has changed; there is a new child-bearing frequency model [haici goucheng 1326 2945 2845 2052]; the population reproduction rate is now lower than the replacement level. Economic factors are the determining factors in the level of reproduction; they not only affect reproduction through the intermediate variables but also cause changes in other factors that affect the birth rate. Specifically, the economic benefits brought by children to the family having decreased; the family's investment cost in children has increased. Also as income rises, children's function as old age insurance diminishes; the old concept that children are insurance against old age has changed. Health-care and sanitation and health insurance for women and children have improved, and infant mortality rate has declined. Moreover, the employment structure for women of child-bearing age has changed; women of child-bearing age are clearly more educated today and are more ready to accept new ideas and new lifestyles. The township collective economy has also facilitated the implementation of family planning policies. In addition, the three "satellite cities" of Suzhou, Wuxi, and Changzhou which fall within the southern Jiangsu rural area and the economically and culturally well-developed Shanghai have a strong influence on the surrounding areas, so that urban material and cultural lives and ideas and concepts are spread to the surrounding rural areas in no time. Using township enterprises' rising power to spur on the all-out development of multi-level, diverse, and multi-formated rural commodity economy has laid the foundation for the new southern Jiangsu reproduction mode.

Development Amid Changes—A Development Model—Yao Minhua [1202 2402 5478]

Which factor plays a bigger role in population control—economic development or the government's family planning policy? There has always been a difference of opinion on this question. Southern Jiangsu's modern population change began before many of the experience-based conditions for change were ripe. It did not begin after the modernization of the economy nor after the transition to the nonagricultural economy; rather, it took place alongside or even ahead of those processes. Southern Jiangsu's modern population change can be regarded as a development model. When there was no other way to ease the population pressure, family planning became the main approach, but population control, which began before the economy took off, also created the conditions for the subsequent economic rise; as a development model, modern population change plays a very important role in helping this underdeveloped region find a way to grow. No doubt, without this

head-start modern population change, there will be no subsequent economic growth.

Exploring China's Unique Population Change Model—Lessons From Southern Jiangsu—Zhang Kaimin [1728 7030 2404]

Economic development is the prerequisite of lower birth rate, but economic development does not directly lower the birth rate. There are many intermediate links between economic development and the birth rate. The function of population policy is to take advantage of the relationship between economic development, the intermediate links, and population change to effectively regulate the birth rate to satisfy the policy goal. The effect of population policy on the birth rate can be compared to the action and reaction of a spring. Regions at different levels of development react differently to the population policy. If the right amount of action is applied, and if the proper measures are taken to eliminate or alleviate the reaction from the spring, then the policy can be very successful; otherwise, there will be much resistance and the positive effects will be minimal. The lesson of the southern Jiangsu model lies in the successful application of action and elimination of reaction. Since reform and opening up, southern Jiangsu has been in the forefront of economic development. Changing the industrial structure has helped solve the rural labor employment problem; development of scientific and cultural undertakings has changed the people's lifestyle and has gradually established modern concepts and ideas; management of family planning work suits the situation that has developed as a result of reform and opening up; and the measures are not only strong but also practical and workable. As a result, family planning has been a big success. The natural rate of population increase generally has fallen below 10 per 1,000, and in some regions there is negative population growth. This has produced an advanced population change model for China's vast rural areas.

A Micro Birth Rate Analysis of Southern Jiangsu's Population Change—Zuo Xuejin [1563 1331 6855]

Southern Jiangsu's experience has important implications for the rest of the nation. But we are not here to discuss mainly whether southern Jiangsu has completed its population change or at which stage of population change it is. Rather, we are here to analyze and sum up scientifically and realistically the deep-seated reasons or the decisive factors in southern Jiangsu's declining birth rate. Only if we have scientific knowledge of the causes of southern Jiangsu's population change and declining birth rate can we spread southern Jiangsu's experience to other regions. In the last decade or so, the labor employment structure in southern Jiangsu has completed the transition from predominantly agricultural to predominantly industrial and service-oriented. This has greatly elevated women's economic status and has eroded the traditional concept that favored men over women. On the other hand, the development of the nonagricultural sector makes stiffer quality demand on the work force,

which adds to the cost of raising children. When we make economic analyses of people's reproductive behavior, we must solve the "economic externality" problem. This means the activities of one economic structure can affect the activities of another through non-price means, namely, through "internalization," that is, by increasing the cost to the family and eliminating the difference between family cost and social cost. State and local economic policies and other policies must be coordinated with family planning policy to avoid reproduction's "economic externality" problem.

Decisive Factors in Southern Jiangsu's Population Change—Peng Xizhi [1756 1585 0772]

Economic development leads to lower birth rate is an important theme in tradition population change theory, but this theme is increasingly being challenged. The level of economic development needed by population change is a relative concept. The levels of social-economic development in various Western nations were very different when their population changes began, and it is generally agreed among those in academic circles that population change can take place even in places with low levels of economic development. It is fair to say that population pressure and tight, people-land relationships, rather than economic development, was the initial cause of population change in southern Jiangsu. The importance of studying southern Jiangsu's population change is, in fact, to discover how southern Jiangsu's rural population maintains its consistently low birth rate, or a birthrate below the replenishment level. To make the transition from a fairly high birth rate to the replenishment level and lower is a population change process that involves two essentially different stages. The second stage requires a radical change in reproductive concept and even a change in the whole social economic environment. In the 1980's, birth rates in various parts of China remained basically unstable, but what accompanied Southern Jiangsu's economic rise in the 1980's was the steady development of southern Jiangsu's modern super-low birth rate reproduction model, and what we are interested in today is the role of economic development in that process. [passage omitted]

TRANSPORTATION

East China To Invest \$1.8 Billion in Aviation System

HK2801031693 Beijing CHINA DAILY in English
28 Jan 93 p 1

[Article by staff reporter: "Eastern Air Network in Y10B Expansion"]

[Text] East China, which already boasts the largest air traffic volume and highest profits in China, is set to invest another 10 billion yuan (\$1.8 billion) to expand its civil aviation facilities.

The expansion project, expected to be completed by the turn of the century, will make East China the most developed air network region in the country, with dozens of airports to serve an expected passenger volume of more than 20 million per year.

The region's air passenger volume is rapidly approaching 10 million, with Shanghai accounting for more than 60 percent of the total.

Twenty-two new airports will be built in East China before 2000.

The showpiece will be a top grade international airport in Shanghai's Pudong New Area, which will take up almost half the investment, according to Yin Wenlong, chief of the East China Civil Aviation Administration.

The other new airports, to be built at a cost of more than 5 billion yuan (\$860 million), will be located in key industrial or tourist centres of Shandong, Jiangsu, Anhui, Zhejiang, Jiangxi and Fujian provinces.

Yin was quoted by the Shanghai-based Wenhui Daily [WEN HUI BAO] as saying that by 2000, East China will have not only the most developed aviation system in the country but also a much larger air fleet and advanced ground service to ensure flight efficiency and safety.

With some 200 domestic air routes and 18 international routes and a network of 24 airports, East China last year handled some one quarter of China's total air passengers and freight volume and earned profits exceeding 1 billion yuan (\$180 million), one third of the national total.

The region's airlines last year had a 150 percent increase in profits.

But the rapid pace of economic development in East China's coastal area has far outpaced the growth in its air transport capacity, hence, the introduction of this new expansion programme, Yin said.

The new projects also include the expansion and renovation of 10 of the 24 existing airports in the region.

East China also expects to see the emergence of more airlines, as the local authorities are showing growing interest in operating their own air services.

Several new local airlines will soon be launched in Fujian, Shandong and Anhui provinces and Yantai and Ningbo cities, officials said.

Investment for the new projects will come mainly from regional sources, but with necessary financial support from central government, Yin was quoted as saying.

AGRICULTURE

Cotton Circulation System Moves Toward Market

93CE0237A Beijing JINGJI RIBAO in Chinese
22 Dec 92 p 2

[Article by Ren Fang (0117 0119): "China's Cotton Industry Moves Toward Market System"]

[Text] The Ministry of Commerce's Cotton and Hemp Circulation Economics Research Society recently held a round table discussion focusing on how cotton production and sales activities are to adapt to a socialist market economy.

The State Council has decided that the proportion of cotton prices subject to market regulation will begin to increase this year, and cotton prices will be completely deregulated within two to three years. Experts at the discussion felt that after deregulation the government should mainly rely on economic policy and economic levers to carry out regulation and control. They also felt that the state should assign top priority to doing a good job of planned regulation of cotton production, reserves, imports, and exports. Of these, cotton production is the most important aspect. In order to provide accurate information and guide cotton production, a guidance plan and guidance price reflective of changes in market supply and demand should be formulated for cotton every year before wheat is planted. The cotton reserves system is an important instrument of regulation and control by the state. In addition to perfecting the state's cotton reserves system, we should also establish cotton reserves systems at the provincial level, and reserves at each level should be maintained at six months or greater. With regard to cotton imports and exports, now that the State Council has clearly granted authority over such activities to the various provincial governments, the state should take measures to regulate and control cotton import and export activities at the provincial level. These measures should be based upon domestic production and demand, as well as the situation in the international cotton market.

If the market mechanism is to be introduced into cotton circulation, we must do a good job of establishing cotton markets. A market system generally consists of primary markets, regional markets, and a national market. Cotton procurement stations fall in the primary market category. We could expand the size of these stations to where they take up an entire street, or we could establish one or more markets in every county in cotton-producing regions. The State Council has decided to first set up regional cotton markets. It will begin an experiment next year in which cotton prices are completely deregulated in the provinces of Shandong, Henan, and Jiangsu. Because of the position of supply and marketing cooperatives in the cotton circulation system, province-level supply and marketing cooperatives should take the initiative to establish province-level cotton exchanges. Under the guidance of, and in cooperation with, relevant

agencies of the provincial government, they should form cotton exchange commissions which would manage and oversee such markets.

The experts felt that there is a trend toward the establishment of cotton enterprise groups. Not only must we establish such enterprise groups at the national and provincial levels, but we must also do so at the county level. This would play an important role in strengthening the cohesiveness of cotton enterprises, reaping economies of scale, and improving the economic benefits of cotton production which accrue to society and individual enterprises.

Rural Development Corporation Expands Services

93CE0237B Beijing JINGJI RIBAO in Chinese
19 Dec 92 p 2

[Article by Fang Wen (2455 2429): "China Rural Development Trust and Investment Corporation Reaps Significant Returns on Investments; Assets Top 8 Billion Yuan"]

[Text] The China Rural Development Trust and Investment Corporation (CRDTIC) has taken on the task of promoting rural change and development, and it has taken rapid strides toward adapting to a market economy. The corporation's assets have already surpassed 8 billion yuan at the end of 1992, its profits have increased several fold, and its investments have yielded significant social and economic benefits.

As a nonbank financial institution approved by the State Council, CRDTIC has adhered to the program of "engaging primarily in finance and serving the needs of township enterprises." In the past few years it has invested in 1500 township enterprises throughout the country by making loans, underwriting bond issues, establishing various trust funds, helping enterprises to institute shareholding systems, and bringing in foreign funds. The sum total of these investments exceeds 5 billion yuan. In order to further increase investments in township enterprises and spur a blending of funds from the manufacturing and financial sectors, CRDTIC has linked up with four companies in Shandong to establish the Zibo Township Enterprise Investment Fund, China's first township enterprise trust fund. The fund's face value is 300 million yuan, and the first bond issue was for 100 million yuan. In order to promote the development of China's security markets, CRDTIC (under the guidance of the People's Bank of China) began promoting its securities business in 1990. It is now the leader in China in terms of size, number of products, and contacts. Its securities transactions last year totaled 3 billion yuan, and this figure topped 8 billion this year. Its bond issues have reached 3 billion yuan.

While adhering to its main business, CRDTIC has also aggressively participated in other relatively active sectors of the market economy. It has invested 800 million yuan in the development of 320,000 square meters of real estate. Its exports have taken in 15 million U.S.

dollars of foreign exchange, and it has already submitted its plan for next year to the Ministry of Foreign Economic Relations and Trade. This plan calls for foreign exchange earnings of \$30 million.

CRDTIC now has nearly 60 agents and subsidiary enterprises. This constitutes a rather sizable network, and the company has a relatively rigorous management mechanism. CRDTIC has established its development goal for the future: while maintaining an orientation toward the market economy, it will keep in mind the changes and development taking place in the countryside as it vigorously supports the development of township enterprises, cultivates rural cooperative financial organizations, concentrates its resources to develop small- and medium-sized cities and towns, and maintains its leadership position in securities and foreign trade. According to the corporation's development plan, its assets will top 12 billion next year and reach 30 billion within three years.

Agricultural Survey of Six Coastal Provinces

93CE0237C Beijing JINGJI CANKAO BAO in Chinese
13 Dec 92 p 2

[Article by Chen Xianfa (7115 0341 4099) and Zhang Baixin (1728 4102 2450): "Deregulation and Opening Up—a Two-Wheel Drive Market"]

[Text] These reporters recently visited rural villages in the six coastal provinces of Guangdong, Hainan, Zhejiang, Fujian, Jiangsu, and Shandong. Various new phenomena show that coastal agriculture is now making a transition from the traditional product economy to a commodity economy.

The analysis of these reporters indicates that the various localities are mainly relying on two tactics to spur change in agriculture; one is deregulation, the other is opening up.

Deregulation Reform has "cut away" the mandatory plan from the staple agricultural products, deregulating prices and sales activities. The coastal provinces have "loosened the shackles" on the majority of agricultural products (including such staples as live pigs, aquatic products, apples, lumber, and cane sugar) which had been subject to unified or planned procurement. Guangdong has reduced the number of agricultural products subject to unified or planned procurement from 117 to 2. This year Guangdong, Hainan, and Zhejiang have also taken the biggest staple of all—edible grains—and "released it from the cage." Shandong, Jiangsu, and Fujian are also in the process of deregulating the sale of such basic products as grains, cotton, and edible oils, thus giving the "green light" for agricultural products to enter the marketplace.

With regard to deregulation, Guangdong and Hainan subscribe to the following maxim: every product deregulated is a product with more vitality in the market, and the more deregulation, the more vitality there will be. After deregulation, their simple reliance on two main

products (edible grains and cane sugar) came quickly to an end. The five most popular things to raise now are livestock, aquatic products, fruit, vegetables, and flowers. Deregulation has enabled the structure of agriculture to become more rational. Complaints in Guangdong and Hainan about how difficult it was to sell edible grains and cane sugar disappeared right away. Nonstaple agricultural products are now entering the marketplace in greater variety and quality.

Jiangsu, Shandong, and Fujian are also aggressively deregulating agricultural products. The percentage of agricultural products sold on the market is now over 60 percent everywhere. Deregulation has turned market demand into the "nerve center" which regulates coastal agriculture.

Opening Up A number of open agricultural districts and experimental outwardly oriented agricultural demonstration districts have been established in the coastal region. After Zhejiang established an open district, the provincial quickly formulated the Ten Decisions Regarding Acceleration of Opening Up in the Agriculture Sector. Over \$70 million have been used to set up two quick-freeze vegetable processing plants, and they have already gone into production. A few years ago, Zhuhai Municipality designated 20 square kilometers of unused hills as an outwardly oriented agricultural demonstration district. It is run by the city's Commission on Agriculture and Fisheries, and it has already established market contacts with more than ten countries. Its annual output is 150 million yuan, and it brings in over \$20 million of foreign exchange per year. Hainan Province has designated 753 *mu* of land as a "comprehensive experimental district," where ten or twenty foreign firms have set up either wholly owned or joint venture enterprises involved in agricultural development.

The export of nonstaple agricultural products has grown rapidly in recent years in the coastal provinces. Total exports of nonstaple agricultural products last year came to \$2.034 billion in Guangdong and \$1.73 billion in Jiangsu, which represented one-third or more of total exports in each of those provinces.

Concurrent with vigorous efforts to develop exports of nonstaple agricultural products, localities everywhere have worked hard to import advanced technology and improved product strains from abroad. As a result, these coastal provinces have become a stimulant for the overhaul of traditional agriculture. Shandong has imported over 100 new strains of apples from the United States and Japan, and it has planted over 2 million *mu* of land with high quality apples. Guangdong has established the Improved Strain Animal and Plant Import Corporation, which has imported over 1100 new strains via a number of channels, 280 of which have been planted experimentally, purified and rejuvenated, hybridized, and popularized. Fujian Province has also imported over 2700 improved varieties and related technologies from more than 30 countries and territories.

Current Status of Grain Market, Grain Price Reform

93CE0199A Nanchang JIAGE YUEKAN [PRICING MONTHLY] in Chinese No 10, 15 Oct 92 pp 16-17

[Article by Deng Rijun (6772 2480 0971), Rao Yuhua (7437 3768 5478), and Liu Bin (0491 2430): "Current Status of the Grain Market and Reflections on Grain Prices"]

[Text] Since the state has raised the prices for grain under unified centralized state control in two successive years since 1991, there have been great changes in the grain market, changes which in turn created very favorable preconditions for the reform of grain prices in China. The present article looks at the current status of the grain market and follows up by presenting some reflections on the reform of China's grain prices.

1. Current Status of the Grain Market

Since the state raised the prices for grain under unified centralized state control on 1 May 1991, and especially since the renewed price hikes of 1 April of this year, the grain market has undergone very considerable changes:

1) The sales volume of grain under unified centralized state control has greatly declined, and there has been a serious outflow of grain through other channels.

Looking at the situation in Yichun City of Jiangxi Province, we see that the sales volume of grain under unified centralized state control during the second quarter, after this year's price adjustment, had declined 61.1 percent, a reduction of 4.55 million kilos compared to the corresponding period last year. Conditions at the basic level show that the decline of these grain sales was larger in the grain producing districts. For instance, in the Binjiang district of Yichun City, sales had declined 72 percent; a much lesser decline occurred in areas that had not been predominantly grain producing areas, as, for instance, in the Bomu area of Yichun City where the decline had been 31.4 percent. Reasons for the decline are:

First, in the three months before the price adjustment, there had been large increases in grain sales. Inhabitants had bought up, in a variety of ways, all of last year's quota-surplus grain, and also the quota-surplus grain of the first months of this year. In March of this year, the grain departments of Yichun City sold as much as 3.79 million kilos of grain under unified centralized state control, which was 1.23 million kilos more than the monthly plan target of 2.56 million kilos, i.e. a 48 percent of additional sales. This is what caused the huge decline in sales during April, which was a 78.1 percent provincewide decline.

Second, after the upward adjustment of the grain prices, negotiated market prices for grain did not go up correspondingly; on the contrary, they even declined, which had some of the state controlled grain being diverted into the market. For instance, the centrally state controlled

price for standard No 1 early rice after the price adjustment was 0.39 yuan per 500 gram, and for standard No 1 late rice 0.43 yuan per 500 gram, but in May, after this year's price adjustment, the negotiated market prices began to come close to the parity price and continued to decline. The present market price for early rice is between 0.36 and 0.39 yuan and for late rice between 0.42 and 0.48. The rice sold at market prices is of very good quality, there is also much opportunity for selection, and most of it is new rice. Many residents do not buy parity price rice, but prefer rice at negotiated prices. Some buy it in the same way as they buy their vegetables, buying a few jin at a time, and buying again after the last lot has been consumed.

Third, the standard of living has gone up, and there has been a change in the consumption structure, with larger consumption of high-quality rice and wheaten foods. All the grain under unified centralized state control, which is presently stored by the grain departments, is early rice, while the high quality late rice has gone into the open market.

2) Enterprises dealing in grain have rapidly developed, and individually operated grain stores have increased. According to statistics, grain stores operated by enterprises and by other trades in Yichun City have rapidly increased since May; after only two months they number somewhat over 20, while the 14 grain stores originally operated by the grain departments have also increased to somewhat over 20. The city now has a total of over 40 grain stores. Grain sales at township and village market fairs have also been brisk. Sales of parity price grain by the grain departments throughout the city during the second quarter have declined 61.1 percent, and grain sales at negotiated prices have also declined by 42.4 percent, while grain consumption of the citizens has not greatly changed. Where, then, has the balance of the grain sales volume gone? It could only have been taken up by the new grain stores and the rural market fairs. That would mean that the sales of the new grain stores and the rural market fairs account for half of the society's total grain sales. At each fair market day at Binjiang Town in Yichun City over 4,000 kilos of rice are being traded. There are nine fairs every month, so that every month 36,000 kilos of rice are possibly being traded there. Grain prices at individually operated grain stores are deregulated and controlled by no one. They can sell either wholesale or retail, they even adulterate grain and misrepresent its quality, raise its moisture content (sometimes up to 18 percent), and admix some white agent to low quality rice which they then sell as high quality rice; they are playing all kinds of tricks. Some units have started their own grain stores, making it a rule that all cadres, staff, and workers must buy their grain at the unit's own grain store, and that money for grain purchases is deducted in advance from salaries and wages. Although these grain stores, that operate outside the grain distribution system, may offer some conveniences to the masses, and may supplement the insufficient supplies of the grain departments, they are also the

cause of quite some difficulties in the control of the grain market and for the determination and execution of the state plan; controls in these respects must certainly be further improved.

3) The occurrence of an "inverse price disparity." After this year's adjustment of centrally controlled grain prices, grain market prices did not at all rise at the same time, but, remaining in a state of stability, rather showed a tendency to decline, giving rise to a kind of "inverse price disparity." For one, procurement prices were higher than marketing prices, and two, parity prices were higher than negotiated prices. The state set the procurement and marketing prices for standard No 1 early rice at 0.39 yuan per 500 kilos, and procurement prices had to be strictly adhered to, to protect the interests of the peasants, while the state's marketing prices could not be implemented, and grain could not be sold at the prices prescribed by the state because the market prices were one to two fen below the state-fixed prices. Presently, the new rice is about to come on the market, and the peasants are anxious to sell all the grain that they still hold, in order to get in return the means of production which they need for growing the second-harvest rice. Market prices of grain are bound to decline further.

4) The grain departments are experiencing difficulties in their business operations. Because of the changes that have occurred in the grain market, places where grain is sold and the stocks of grain held by residents have been reduced; the task of grain storage has now basically devolved on the grain departments in the producing regions, and as a consequence shortages have increasingly occurred in capital funds, in storage capacity, and in operational expenses. To accomplish the state's procurement task in the shortest time possible, the grain departments have bought early rice to one half or even to the full amount, but sales stagnate. The early rice now in storage at the grain departments of Yichun City is as much as over 4,000 kilos, which would be sufficient to supply all the inhabitants of the city for over two years. This alone costs almost 4 million yuan in interests for the funds that are bottled up here. After this year's harvest of early rice, these departments still intend to buy another 60 percent of this early rice.

5) The peasants do not show a sustained enthusiasm for cultivating grain. With the declining sales of the grain departments and with grain market prices staying below state-fixed prices, the peasants fear the state will not procure anymore grain, grain will become hard to sell, and they are therefore very worried. Although it has been decided this year to continue the procurement of grain, the peasants are still fearful, and this can have an adverse effect on the acreage that will be sown to grain next year. At present, many peasants are still left with no other alternative than to grow grain, but it is really unrealistic to expect to achieve a moderate level of prosperity from growing grain on a few mu of land. The peasants still want the state to procure at a reasonable price. Any change in the grain policy will therefore greatly affect the enthusiasm of the peasants for growing grain.

6) The burden is not equally distributed. Reform of the grain prices lightened very substantially the burden on central government finances, but added to the financial burden of the local authorities. Increasing grain subsidies for cadres has become a burden on the local finances; increasing grain subsidies to staff and workers in enterprises has become a heavy burden on the enterprises. Although grain price subsidies can be posted to production costs, the increase in the costs of products in turn adversely affects the economic returns of the enterprise, and adversely affects the revenue of the local authorities. Although the resident population had the benefit of these grain subsidies, this burden too was not equally distributed. Families with only a few members working and with a high coefficient of supporting the other members have a comparatively heavier burden to bear. For this reason, financial authorities, enterprises, as well as individuals, all have grievances against the current price reform.

2. Reflections on the Reform of Grain Prices

In China, the reform of grain prices has for a long time been mainly pursued in the one direction of procurement prices. On 1 May 1991, the state for the first time raised the marketing price for grain under unified centralized state control, which was indeed a major step forward in China's grain price reform. In April of this year, the state adopted the method of "combined moves in procurement and marketing," and again raised the sales price of centrally controlled grain, setting the same prices for procurement and marketing. This was a new experience in the reform of grain prices in China and provided an excellent environment for the future reform of grain prices. It leaves for the future only the following two ways to pursue grain price reform: one, to be mainly "adjustment" oriented, and two, to be mainly "decontrol" oriented. The method which is mainly "adjustment" oriented may again follow a pattern of simultaneous control of procurement and marketing or a pattern of control of procurement with deregulation of marketing. However, regardless of which pattern it will be, an "adjustment" oriented method will not resolve the problem of the heavy financial burden on the enterprises caused by grain operations at all levels. The state would then still have to maintain a strict plan for the production and procurement of grain, and could not do without the strict system of household registry controls in the urban and rural areas, or do without the system of rationing of commodity grain to its urban and rural citizens. The grain enterprises would then not be able to attain freedom in business operations, and would be detrimental to any effort to accelerate the adjustment of the rural industrial structure as well as the attainment of a modest level of prosperity in the rural areas. It would become even less possible to advance grain production and grain price reform in a more thoroughgoing manner. The ultimate objective of grain price reform must therefore still be grain price deregulation.

The time is now basically ripe for the deregulation of grain prices. The main indications in that respect are:

1) A grain market has already been basically established. This year, especially, after a further raising of grain prices, the grain market has rapidly developed, and both retail and wholesale markets have basically achieved maturity and have become capable of meeting all demands for the normal operations of grain procurement and marketing.

2) The quantity of available grain can already meet normal consumption needs. In the past, Yichun City had to import several thousand jin of grain every year, while it is now able to export grain.

3) The transition to the market system has now become a real possibility. On the supply side we see that there is a balance left surplus after supplying all grain rations to the citizens, and the surplus is even continuously growing larger, while the supply is continuously shifting to a supply through the market. This indicates that the citizens do not regard grain supply quotas allocated by the state as of any importance; quotas have become rather irrelevant, and some have actually, of their own accord, given up their supply quotas. At the same time, the citizens consume grain at a lesser rate. On the price side we see that, apart from fixed prices for grain on order, all other grain prices have by now been deregulated, and the proportion of state-fixed grain prices has become very small. The state has by now gained experience in the control of market prices; there have been, in particular, some localities that had been the first in tentatively deregulating prices, and at these places price controls are very effective. As to the psychological mood of the citizens, we see that after several grain price reforms, the citizens are psychologically prepared, and grain price deregulation has gradually become common knowledge. They now believe that the deregulation of grain prices is merely a matter of time, and they are quite capable of accepting the deregulation of grain prices. Relative to the much larger price reforms, such as, for instance, for housing, the deregulation of grain prices will not become much of a hot topic for the citizens.

Relative to the state monopoly for the procurement and marketing of grain, that existed in China for several decades, grain price deregulation has indeed been a very large step forward. For this reason, deregulation of grain prices must find a solution for the following two questions:

1) How to protect the interests of the peasants, maintain their enthusiasm for grain growing, and consolidate agricultural production. Deregulation of grain prices, moving grain production toward the market system, changes in the market, all this will affect the profits from grain production and will affect the peasants' enthusiasm for grain growing. At present, most peasants are still unable to adapt to the market system and to deal with it. They are psychologically fearful of the market system. It is therefore necessary, after deregulation of the grain prices, to provide well-planned guidance for the peasants, to speed up the readjustment of their production structure, to encourage the peasants to shift to other

productive lines, to concentrate land in the hands of large grain producers, to perfect various grades and kinds of service organizations, to strengthen services prior to, during, and after production, especially after production, and to have the peasants feel at ease.

2) How to strengthen the state's regulation and control of the grain market, and how to prevent illegal activities at the grain market. The state must remain in firm control of the initiative in the grain market. Especially when fluctuations occur in the market, the state must have sufficient capability to act in whichever way it will be necessary. The state-run grain enterprises must firmly hold the wholesale rights in respect of the major types of grain. At the same time, the supervisory and control system over business activities at the grain market and the supervisory and inspection system in respect of grain quality must be perfected, in order to ensure the smooth conduct of business activities at the grain markets.

Price Impact on Grain Production

93CE0199B Nanchang JIAGE YUEKAN [PRICING MONTHLY] in Chinese No 10, 15 Oct 92 pp 11-12

[Article by Zha Zhenxiang (2686 2182 4382): "On the Extent to Which Prices Affect Grain Production in China"]

[Text] On the question to what extent prices affect grain production in China, there have in recent years been two opinions which are diametrically opposed to each other. According to one view, grain production in China reacts only to a very limited extent to prices, and one must not place overly high hopes on the price lever in an attempt to promote grain production, while such elements as the spread of scientific and technological methods, the land allotment system, investments in the land, agricultural input, etc., are possibly much more important.¹ This view is refuted by another viewpoint which asserts: At present as well as some time to come, the most important element in all restrictive effects on China's grain production is the price question. If the intention is to promote grain production, we have to raise the state's procurement prices. Without a clear understanding of this point, it will be impossible to achieve a fundamental solution of China's grain problem.² In my opinion, both these two viewpoints are too slanted and their conclusions rash. It is necessary to carry out a meticulous analysis of the effect of prices on grain production, and of the extent to which this is the case. The purpose of this article is to present my personal views in this respect.

1. Elements That Restrict Grain Production

Under the present socioeconomic conditions in China, it is not only the price element that exercises an influence on grain production, but a whole series of elements, of which the major ones are:

1) The price differential between grain and means of agricultural production. This differential is the difference between grain prices and the material costs of grain

production. This has a bearing on net income from growing grain and on the material input capability.

2) Price parities between grain and other crops. This price parity has a bearing on the larger or smaller opportunity cost of growing grain on one and the same piece of land.

3) The difference in income from the same amount of labor expended on growing grain as compared with labor expended in secondary and tertiary industries. This difference is the opportunity labor cost of the producer of grain.

4) The price level of animal by-products. Grain is raw material used for production of animal by-products. Converting unprocessed feed grain into raw material for production of animal by-products is yet another end use of grain production. The price level for animal by-products, therefore, has a certain influence on grain production.

5) The difference in risks involved in its production in relation to the production of other items. The risk that we speak of here is twofold: one is the value risk, i.e., whether the products are saleable; and the other is the risk of use value, or whether the use value of the product can be maintained for a certain period of time without deteriorating.

6) Grain needed for personal requirements. Only part of the grain that is presently being produced in China is to become commodity grain, while the other part is produced for the consumption of the peasants themselves. This feature, namely availability for own consumption, is a major motivation for the peasants to produce grain.

7) The demand for growing grain arising from the ecological cycle within agriculture. Grain is consumed by humans and animals in farm households, and the farm household fertilizer resulting from human and animal consumption must in turn be absorbed and utilized in the growing of grain. This forms a kind of ecological cycle within agriculture.

8) The habitual inertia of grain production. This habitual inertia in grain production is engendered by established grain production conditions. The established grain production conditions comprise the degree of specialization of grain production, the historically formed grain production traditions, the experiences and the skill in grain production accumulated by the peasants over a long period of time, and also such conditions as climate, availability of water, and soil suitability for growing grain.

9) The guidance function of state policy. This comprises the state's attitude of encouragement of grain production, its favorable policies and administrative measures benefiting grain production.

Among the above-listed nine elements, only the first four have a direct or indirect connection with prices.

2. The Extent to Which Prices Affect Grain Production in China

According to all the elements that affect grain production in China, we can conclude as follows with regard to the role of prices in the grain production of China:

1) Any grain price that is higher than the material costs has to a certain degree a stimulating effect on grain production.

(a) A grain price that is higher than the material costs means that there is a surplus after deducting the material costs of grain production from the grain procurement price. This will ensure that the grain producer has the capability of material input and a remuneration for work performance. Since the founding of the PRC, the overall level of grain production in China has all along been going up. The main reason for that is that grain prices, in the overall purview, have all along been higher than the material costs. From the 1960's to the 1980's, the ratio between net production value to gross production value for every mu of land has on the average always maintained the 1:2 ratio throughout the nation.

(b) In China, the price level of cash crops has for a long time been higher than the price level for grain, and this for two reasons: one, cash crops are produced purely as commodities, and regulation of their production must rely on prices; two, the price level of cash crops has a much lighter impact on the living standard of the people than grain prices, and their price elasticity is comparatively large. For all the above-mentioned reasons, grain prices cannot be raised to an equal level with the cash crops. In the long view, after the price parities between grain and cash crops have been established, prices for cash crops cannot possibly have very large influence on grain production, because the demand for cash crops is limited in its volume; if more were planted, supply would exceed demand, so that the peasants will still allocate the larger acreage of arable land to the growing of grain. Furthermore, the production of cash crops requires much skill, and their production has regional and traditional character.

(c) In China, the income of peasants working in the secondary and tertiary industries is far more than income from grain production. The reason for the disparity of incomes is, apart from the incongruous parity prices for industrial and agricultural products, most importantly, that the current scale of agricultural operations is too small and that agricultural manpower is not fully utilized. At present, computing according to the actual manpower working at the agricultural front line, each unit of agricultural manpower cultivates less than 5 mu of land, while the capability of a unit of agricultural manpower can, in manual operations, cultivate from 15 to 20 mu of land. In mechanical operations, it would be possible to cultivate several hundred mu of land. The trend among peasants to give up growing grain and change to secondary and tertiary industries cannot possibly be turned around, because it is impossible to raise

grain prices to such an extent that one unit of manpower in agriculture, with its present narrow scale of operations, will provide an equal income as one unit of manpower employed in industry. On the other hand, however, the developmental scope of village and township enterprises is restricted by a whole series of factors, such as capital, material resources, technology, markets, etc. and they experience certain limitations in each time period. At present, total manpower employed in village and township enterprises throughout the nation amounts to only somewhat over 90 million persons, three-quarters of rural manpower must still find employment in agriculture, i.e. mainly in growing grain. It is therefore irrelevant how much higher an income is earned in other lines, and how much comparatively higher the opportunity cost of growing grain may be, it is because of the difficulty of switching that when we look at the overall national situation, we see that, with the exception of a few developed districts, the average labor income in other lines does nowhere present a great threat for grain growing.

(d) As to the present production of animal by-products in China, in most of the thousands upon thousands of farm households, grain is only a part of the animal feed, while the rest of the feed comes from all kinds of agricultural by-products. In this manner, the influence of grain prices on the production of animal by-products is much less than under specialized production conditions. On the other hand, regardless of what the grain price may be, the peasants need to grow grain to raise their livestock, which helps them produce all kinds of agricultural by-products, and helps them earn profits from the production of agricultural by-products.

(e) The risk of grain price fluctuations and the risk involved in the handling of grain is smaller than in the case of cash crops, vegetables, fruit, and industrial products, because grain is a primary necessity for people's livelihood, there is, therefore, a large demand for it, and in the long-range view there is no question about it ever becoming unsaleable. Grain can also stand storage, which may even last two, three years, so that the peasants can choose a suitable time for its sale, depending on market demand and a favorable change in price. There is no pressure to sell grain within a certain time. The riskless nature of grain production reduces, to a certain degree, the impact of grain prices on grain production.

(f) At present, peasants use 70 percent of the grain they produce for own consumption. This portion of the total grain production is in no way inhibited by price considerations; it is not sold on the market for cash income, but it will indeed require investment of fixed and variable costs. In this manner, the production of commodity grain as a surplus product can bring about returns to scale for grain production, and thus constitute a motive force for grain production.

(g) Grain consumed in agriculture itself and grain consumed in household animal husbandry will be converted into large quantities of farm yard manure, which in turn

must be absorbed and utilized in grain growing. Grain production, thus, becomes an important link in an ecological cycle within agriculture, so that a large proportion of the grain produced by the peasants does not become a cost factor, nor an economic factor, but rather an ecological factor.

(h) Grain production traditions and degrees of specialization in the various localities have not come about overnight. The peasants have accumulated production experiences and skills over long periods of time, and these elements cannot be changed overnight. Various natural conditions favorable for the growing of grain may not be suitable for the growing of other crops. These habitual forces in the cultivation of grain add to the difficulties of shifting to other productions, and will ensure continuity in grain producing activities.

(i) The decision of peasants to grow certain crops will not merely take prices into consideration, but will also watch the government's line of action. Production activities of the peasants are desultory, with little understanding of the market, but organizer of the market is the government. If the government encourages the peasants to grow grain, and will also grant them various benefits, it will raise the peasants' enthusiasm for grain production. In the opposite case, if the government discourages the peasants to grow grain, there will be a distinct decline in enthusiasm for its production among the peasants. After total production exceeded 400 billion kilos of grain in 1984, the government relaxed its encouragement of grain production in 1985, rescinded various favorable policies, and even adopted administrative measures to have the peasants shift to the production of other items, which impaired peasant enthusiasm for growing grain, and caused the large decline in grain production in 1985.

2) Once the grain price has been established, it possesses an irreversible character; it may easily be raised, but cannot be lowered.

Any price level that is higher than material costs has, to a certain degree, a stimulating effect on grain production, but this does not at all mean that the price can be lowered at will. Once the grain price has been established, it should be kept stable. If it were lowered at will, it would give the wrong signal to the peasants and would lead to fluctuations in grain production, for the following reasons:

1. If the procurement price for grain is lowered, it will reduce the material input capability for grain production and reduce human labor income; it will reduce the economic efficiency of grain growing, shatter the confidence of peasants in grain growing, and, within a short time, input would be curtailed and production volume would be reduced.

2. If the procurement price for grain is lowered, it will have the peasants shift indiscriminately to other productions. For instance, in 1985, after the grain price had been lowered, the acreage sown to grain nationwide was reduced by 60 million mu, and the acreage sown to cash

crops was increased by 50 million mu. Although administrative intervention was a certain factor here, the major reason was the reduction of the grain price. The result was, on the one hand, a reduction in grain production, and, on the other hand, overproduction of cash crops.

3. If the grain price is lowered, peasants will eagerly seek a way out by going into secondary and tertiary industries, which will lead to much manpower leaving the soil, and an abrupt reduction of labor input, while it will rapidly swell the large army of the vagrant population in cities and townships. It will upset the gradual nature of the process of transferring rural manpower to nonagricultural lines of enterprise, and that will be a blow to the rural as well as to the urban economy.

4. If the grain price is lowered, it will have the peasants shift more rapidly from grain growing to animal husbandry, with the idea of gaining larger profits from the shift from grain to animals. The result will be a shortage of unprocessed grain and a surplus of whatever is produced after the shift. This is what had happened after 1985.

5. If the grain price is lowered, it will lead to an increasing tendency among peasants to hoard grain for short periods of time and a reduction of grain offered for sale, and also a reduction of the supply of commodity grain on the market. Since grain production in China is carried out by thousands upon thousands of peasants, the tendency to hoard grain by peasants is bound to have a very serious impact on market supplies.

The above analysis demonstrates that lowering grain prices will greatly disturb China's grain production and supply. Once a disturbance occurs in grain production, it will take several years to restore the situation. After the 1985 disturbance of grain production, the complete restoration of the situation was not achieved until 1989. It follows that once the grain price has been established, it should remain stable; it can be allowed to go up, but not to go down [as published].

Some Conclusions

The analyses of the present article allow the following conclusions:

1. Any price that is higher than the level of material costs will have, to a certain degree, a stimulating effect on China's grain production. This is so because China's grain production is presently an activity in which economic performances are intertwined with noneconomic performances. No thoroughgoing competitive system has taken form as between grain production and production of other lines, and the grain price is not fully effective as a regulatory function with regard to grain production.

2. The fact that the grain price is not fully effective as a regulatory function with regard to grain production means that there is no special requirement to set an

upper limit for the price. Once the grain price is established, it cannot be lowered at will. A willful lowering of the grain price will disturb grain production and supply, and to get over the disturbance will often require a long period of time. The best price tactic is to raise the price in a slowly creeping manner. This would ensure a continuous upward move of the grain price level, would raise the peasants' enthusiasm for growing grain, and would also avoid too fast a price rise. When there is a shortage of grain, the grain procurement price must not be raised all at once by a large margin, and when there is a surplus of grain, the grain procurement price must also not be lowered.

3. The grain price plays only a limited role with regard to grain production in China. If the volume of grain production is to be increased, it is still necessary, under conditions of steady price advances, to adopt the following non-price-related measures: raising the degree of specialization in grain production, improving the material conditions for grain production, increasing the input for grain production, perfecting the socialized service system, activating grain circulation, earnestly resolving the difficulties that peasants experience in the sale of their grain, effecting an appropriate adjustment in the land regime, so as to provide a complete set of social, economic, and technical conditions that will benefit grain production.

Footnotes

1. See article "The Price Question in China's Grain Market" in *ZHONGGUO NONGCUN JINGJI [CHINA'S RURAL ECONOMY]* 1991, Issue No 6.

2. See article "The Price Question, Main Factor Restricting Grain Production in China" in *ZHONGGUO NONGCUN JINGJI [CHINA'S RURAL ECONOMY]*, 1991, Issue No 11.

Policy Recommendations for the Nineties

93CE0136A *Beijing NONGYE JINGJI WENTI [PROBLEMS OF AGRICULTURAL ECONOMY]* in *Chinese No 10, 23 Oct 92 pp 46-52*

[Article by Tang Renjian (0781 0088 0256), Huang Yanxin (7806 1693 0207), Wang Zhonghai (3769 1813 3189), and Zhang Xinhui (1728 2450 1979), from the Office of Policy Directives, Ministry of Agriculture, Beijing, and edited by Yang Liewen (2799 3525 1979): "Systematic Observations on Reforming China's Agricultural Policy"]

[Excerpts] [Passage omitted] Since the initiation of reform, Chinese agriculture has not grown upward at a constant rate. On the contrary, it went through two phases which showed great contrast. The first phase was from 1979 to 1984, when the annual increase in total agricultural output was as high as 7.7 percent (based on unchanged 1980 prices, which is also applicable to the next phase). The second phase was from 1985 to 1990, when the annual increase in agricultural output dropped

to 4.53 percent, 3.17 percentage points lower than for the earlier phase. Of greater concern now is the fact that after 1985 the production of staples such as food grains, cotton, oils, sugar, etc., was unstable for several years. At the same time, there was a pattern of brisk social demand for agricultural products. This situation clearly shows that during a somewhat longer period from now and into the future, the market supply and demand for Chinese agricultural products will remain unquestionably critical. An imbalance in supply and demand is a most general and obvious indicator of the unbalanced growth in Chinese agriculture. [passage omitted]

The second fluctuation occurred in 1988. The gross output of staples that year was 394.08 million tons, a decrease of 2.2 percent over the previous year. The 92.973 million tons of staples purchased at parity was 6.3 percent less than in the previous year. But the 100.9 million tons of food staples marketed and sold at parity increased 9.8 percent over the previous year. For the year, marketed sales were 8.5 percent greater than sales purchased by the state. This shows that the staples market for that year was tight, but fluctuations in production, purchases, or sales never exceeded two digits, particularly with regard to the decrease in food staples output, which was only 2.2 percent (8.9 million tons). This figure is far smaller than the 5 percent fluctuation normally allowed. Moreover, when compared with general conditions in other years of decreased production, peasants saw an increase of 7.5 percent in food staples stored and available at year's end.

The third fluctuation took place in 1989 and 1990. Output of food staples in 1989 reached 407.55 million tons, an increase of 3.4 percent over the previous year, but only 240,000 tons more than the 1984 figure. The state purchased 100.402 million tons of food staples at parity, an increase of 8 percent over the previous year. Another 89.311 million tons were marketed and sold at parity, a decrease of 8.9 percent over the previous year. Here purchases by the state were 12.4 percent greater than marketed sales. In 1990, even as food staples output increased on a somewhat larger scale, reaching 435 million tons, an increase of 6.7 percent over the previous year, the growth spurt only exceeded normal fluctuations by less than 2 percentage points. Food staples purchased at parity totaled to 95.551 tons, a decrease of 4.8 percent over for the previous year. However, food staples marketed and sold at parity increased, totaling 90.333 million tons. [passage omitted]

Selection of Future Agricultural Policy

The next 10 years are critical ones in China's economic development. The continued stable and coordinated pace of agricultural development undoubtedly plays a critical role in implementing the second strategic national economic goal and in developing the society. It can be noted that national economic and social development in the 1990's depends on agriculture to start and support the process, for at this time national economic and social development still must be established on a

sound agricultural foundation. However, it must be noted that conditional restraints facing agriculture in the 1990's will be even more stringent. One restraint is that waste of natural resources and growth in production have increased another percentage point, which may indicate that people will be expected to expend costs and effort ten times over. Another restraint is the fact that agricultural reform has long since outgrown agency limits, and has become connected closely with the overall national economy. To find breakthroughs in this area is definitely very difficult.

As the growth pattern of Chinese agriculture in the 1990's turns from a "policy-guided model" to a "capital/technology-guided model," agricultural growth will depend chiefly on increased returns from single crops. Increasing single-crop production must depend chiefly on increasing inputs of capital and technology. As the result, the Chinese Government is giving much attention to increasing agricultural inputs.

However, this does not imply that reforming agricultural policy has nothing to contribute to the future. Conversely, from our prejudiced analysis of China's agricultural policy, we can see that great and obvious deficiencies still exist in China's present agricultural system and that the results of reform are basically not secure, so that in certain areas there is the danger of losing what has been gained. These deficiencies not only obstructed things in the past, but they continue to do so in present, and they will also pose "systematic obstructions" to China's agricultural development in the future. The fact remains that the input of capital and technology is to a large degree motivated by the benefit motive. In other words, to see whether capital and technology can be introduced by people, we must see how people evaluate the technological economy that results within the confines of the present system. Thus, as agriculture continues developing in the 1990's, added inputs of capital and technology and renovation of the agricultural system cannot be overlooked; however, to continue at a good pace, the two must contribute to agricultural growth on different levels.

Based on previous experience, we must make breakthroughs in the following areas in order to satisfy the needs of future agricultural growth:

A. Pushing and Promoting Reforms in the System of Land Ownership Inherent in Agriculture. The Chinese Government strongly endorses stabilizing and perfecting the system of responsibility based chiefly on a form of cottage industry called joint family contracts. This will be "one basic rural system that will be stabilized over the long term." There is no question that this definition is significantly more clear, and helps to clarify the vague impression people up to now have about the system of family contracts. But stability here does not refer to an informal stability, for only the stability based on a perfect foundation can be considered true stability. Now, how can this base be made perfect? That means "actively developing a multi-form social service system, gradually

broadening the actual economic power of the collective, and strengthening the united yet separate bi-level business system." In other words, this is to strengthen the collective's joint operation at that level. Only in this manner is it possible for rural households to provide various services and to promote better development of rural household operations, from which the bi-level business system can be strengthened.

As to how to deal realistically with the land ownership system, we feel we must first emphasize the effectiveness of the ownership concept. That is, the benefits inherent in certain ownership must be greater than expenses incurred. What must be emphasized is the fact that such expenses refer not only to tangible and directly measurable economic costs, but also intangible and difficult to measure social costs that are often quite high. When this problem is considered, we feel that establishing a rural land ownership system in China must transcend selection of either the private ownership system or the state ownership system. A realistic and wise selection still adheres to the system of collective land ownership. However, what is proposed here is not the traditionally defined collective ownership system, but a new and realistic form of collective ownership. This new form of collective ownership generally includes the following features: (1) The primary entity in most land ownership collectives, except in rare, unusual situations, is the first-level primary production team. (2) At present, where cooperation does not exist between commune-type economic groups and the peasants regarding selection of commune members and commune matters, the incoming or outgoing of population in a commune is cut off from the land in a "no transfer of land ownership with population change" as tried in Meitan county in Guizhou Province. This suggests that ownership of land in the collective will remain with the original collective members. (3) The right of rural households to land they have contracted for use over a long period of time is clear, and further strengthened through issuance of appropriate and legal "land-use licenses." (4) Besides land-use rights, the right to use some other collective property (such as barren wastelands) in a transitional arrangement with some compensation is clarified. In the beginning, this transitional arrangement may be carried out between commune collectives, and once conditions are right after successful trials, be broadened later to that between individuals. In the same manner, a rough legal framework must be set up to deal with various problems pertaining to boundaries in the transfers of land ownership. (5) Reforms that relate closely, and fit in with building a land system, are implemented. For example, establishing various types of local markets and corresponding intermediary structures (e.g., local banks, plowing and tilling companies etc.), to be followed by market-type reforms such as establishing a pricing and marketing system, and still later, establishing a rural labor market to lessen the load and pressure on land conservation etc.

B. Establishing a Flexible Economic Mechanism Beneficial to Agricultural Stability and Growth. (1) One way is

making deeper reforms in the agricultural product pricing and marketing system. Not only is this of direct practical significance to increasing peasant income, it also cites benefits from innovation, increases rural household participation with their investment and use of new techniques, which are very important. During the period of the Eighth Five-Year Plan, through depressing sales and price regulation of food staples, it was possible for purchase and marketing sales of a commodity to balance each other in volume and in pricing. After this period, when the market sales price of food staples was raised to a level that could cover operating expenses, the purchase by state price was set aside. Each year, the state bases the purchase price on costs for several preceding years, averaged changes in the comparative prices, and anticipation of possible changes in present and future market supply and demand to set a figure, and establishes a fund to support a price protection system. The market sales price is based on changes in the purchase price, and takes its cue from it. The actual price is affected by the commodity price which is publicly announced each quarter by agencies responsible for staples pricing. When necessary, pricing examination and reporting or some other form of a price control system may be implemented. (2) Through reforms made in the pricing of agricultural products and in the purchase/sales system, the state gradually smooths out its relationship with the consumers. By stepping up reforms in joint state businesses, and gradually eliminating its policy-type operating function and corresponding operating subsidies, it will implement a separation of its role function from the control function. At the same time, it will continue to nurture all kinds of new enterprises among the people, and improve their level of organization and standardization. (3) On the foundation of continuing to develop such a preliminary form of a collective market such as a market for agricultural products, we must establish and standardize distribution markets and futures markets that carry a variety of products of several grades at the central government and provincial levels. Regulatory measures imposed by the state on agricultural product markets must pay attention that they connect with development of the distribution and futures markets. (4) Reinforce the state's macroeconomic control of the agricultural products market. At the same time that the state, at different levels, is establishing reserves and stores for agricultural products, it must channel and raise funds to establish a corresponding market regulatory fund, and on this basis to rotate and convert reserves of specific items to regulatory reserves. (5) Redistribution of the people's income is assured and tilted toward agriculture in a stable manner chiefly through legislation, and not through other means.

C. Adoption of Effective Measures by the State To Strengthen the Comprehensive Coordination of Agricultural Administration and Management Agencies. At present, agricultural agencies only concern themselves with production and technical problems, without paying

much attention to the management aspects of investment, supply, marketing, and other problems that appear before and after production, so that a great gap exists between these agencies and the commercialization and socialization needs of agriculture. As to how to close this gap in the future development of Chinese agriculture, the important system innovations to take place will not be any less impressive than those for any other basic economic reform.

Problems Issuing IOUs to Peasants: Recommendations

93CE0185A Beijing JINRONG SHIBAO in Chinese
2 Dec 92 p 1

[Article by Lin Zhiquan (2651 0037 6112): "Perspective on Hot Issues—Why Is the 'IOU' Phenomenon Reappearing?"]

[Text] The "IOU" for the purchase of agricultural byproducts that had essentially disappeared for several years reappeared in quite a few regions this year. According to reports of publications concerned [with this matter], in the Anhui granary system nearly 1,000 purchasing points throughout the province hung the "no purchase sign" high. As a result, the cry of "it is difficult to sell grain" surged toward the provincial capital, Hefei, like a tidal wave from all the villages. Also according to published reports, "statistics for Hubei Province, one of the principal grain producing regions, [show that] by September "IOU's" written throughout the province reached 906 million yuan..."

Actually, the appearance of "IOU's" is by no means limited to such provinces and regions as Anhui, Hubei, Liaoning, Jilin, Henan, Shandong, and Xinjiang. Some places for lack of funds even wrote IOU's from the time that they began purchasing.

Is the reappearance of "IOU's" a happenstance or is it inevitable? Is it avoidable or unavoidable? Essentially how do we make "IOU's" disappear?

For this we must first trace the roots of "IOU's."

Relevant circumstances indicate that the main direct causes of "IOU's" are:

Grain and cotton sales adjustments are slow and a large amount of funds pile up. Treasury deficit allotment of grain and oil subsidies "snowball." Grain departments and enterprises usurp and divert purchasing funds. From increased grain purchasing department purchases and increases from upward price adjustments, there is a lack of sources of purchasing funds, dramatically increasing the contradiction of inadequate grain purchasing funds. Grain purchasing and adjusted sales accounting channels are impeded and arrearages in grain and oil allowances grow annually.

Actually, the above are only the superficial causes of "IOU's." There also are deeper root causes. In this

regard, several experts believe that there are at least the following few points: The first is that the mix of agricultural byproducts, especially grain varieties, is incompatible with the mix of industrial products. Certain grain varieties are unsalable and cannot be moved, and are seriously piling up. But peasants continue to plant them and the state accepts them as before. At the same time, some grain varieties sell well, the prices rise, there are scarcities, and it is difficult to increase the volume of production rather quickly. There also is a lag in the grain processing industry and rather weak digestive capability and exchange earning capability. The second is driven by regional and departmental interests causing the treasury to have deficit grain and oil subsidies and the grain departments to usurp and divert agricultural byproduct purchasing funds, and grain and cotton allowance arrearages to greatly increase from year to year. So, the sharp increase in the "three funds" is a short fall in the purchasing funds, an important cause for the reappearance of "IOU's." The third is that in recent years a large amount of rural funds have flowed into the city weakening the growth of rural savings deposits and making it difficult for agricultural administrators outside of the first line purchasers to raise more purchasing funds. The fourth is that it is difficult to adapt and change the systems and methods that formerly provided agricultural byproduct purchase adjusted sales and funds. It is hard to continue the method of having 80 percent of purchasing funds each year be provided by one bank. The fifth is that there is a rather large gap between each year's new increases in the central bank's temporary purchasing loan funds and that year's new increases in the volume of purchases and increased requirement for funds because of upward price adjustments.

Although lack of agricultural byproduct, especially grain, cotton, and oil, purchasing funds has continuously vexed the economy in the past few years, and has been a major problem especially vexing agriculture, we are by no means lacking in means of resolving it rather quickly and rather well, and the way is at hand. People involved in the Gansu financial, grain, and planning departments believe that to resolve the lack of purchasing funds from its source and to thoroughly eliminate "IOU's," we could gradually adopt the following principal measures:

—Adjust the agricultural product mix and the processing industry structure in industry. We should increase the production of high grade grain varieties saleable on the domestic and international markets and reduce the production of overstocked grain varieties with slumping sales. We should appropriately accelerate development of the processing industry for such agricultural products as grains, cotton, and oils and accelerate digestion of grains and conversion to marketable commodities and products with foreign exchange earning external sales to realize the value of grains, oils, and cotton and create the conditions for added value sales. So, such relevant sectors as the government, agriculture, banking, and grains must enhance social services and informational leadership and provide agricultural households and industries with

timely information on agricultural products, varieties, and commodities that sell well to improve the mix of agricultural products and varieties and the structure of agricultural product processing industries.

- Strictly control agricultural byproduct purchasing funds and ensure that these funds are intact and earmarked for their special purpose. For subsidies that the treasury should allocate for the purchase of grains and oils, we should determine to fully subsidize the current year and gradually reduce previous years. As regards what should or should not be subsidized, upper echelon governments, planning departments, and banks can correspondingly reduce their capital construction and loans the same amount.
- Progressively introduce market mechanisms in agricultural development and agricultural product purchases. The first way is to transform the guiding ideology for agriculture and change the past production, supply, marketing thinking to sales determines production and determines supply. We should speed up the cultivation and development of the futures market for agricultural products. The second way is to gradually free grain, cotton, and oil prices, ultimately freeing them completely, and reduce the transfer of enterprise operating losses in purchases, and reduce

and ultimately eliminate the carry-over of deficits. The third way is to reform supply mechanisms for purchasing funds. Banks should gradually attempt and expand financial instrument and securities buy-back agreement methods for agricultural product purchasing enterprises, and let market mechanisms play a leading role in purchasing funds to promote enhanced purchasing enterprise financial concepts and ensure the earmarking of funds specifically for special uses, step up the circulation and regression of purchasing funds, and gradually reduce central bank unsecured loans in purchasing funds.

- Change purchasing funds from the control of agriculture and industry to the control of agriculture alone to open up channels for settling grain purchase fund supply and marketing accounts.
- The state and governments, planning departments, treasuries, and banks at all levels should pay attention to purchasing funds from start to finish and persist in getting early and detailed control. They should formulate the required policies and measures leading to the inflow of rural funds, as well as curb and reduce the transfer of rural funds to the city to cultivate a source for purchasing funds.

Popularity of Governor's Speech Drops*93CM0130A Hong Kong MING PAO in Chinese
21 Dec 92 p 5*

[Article: "Recent Popular Survey Reveals a Trend—The Numbers of the Dissatisfied Are Right Behind the Satisfied"]

[Text] A popular survey reveals that the share of Hong Kong citizens that are dissatisfied with Hong Kong Governor P'eng Ting-k'ang's administrative report continues to rise. A researcher on this survey believes that if this trend continues, in two to three weeks, the number of citizens satisfied and dissatisfied with the administrative report could pull even.

Hong Kong University Social Science Research Center on the 15th and 16th of this month succeeded in interviewing 728 citizens by telephone to learn of their degree of satisfaction with Hong Kong Governor P'eng Ting-k'ang's first administrative report. The success rate was 63.3 percent.

This survey discovered that the rate of satisfaction (a total of extremely satisfied and generally satisfied) with the Hong Kong governor's entire report fell from a peak period (3-4 November) of 41.7 percent to the present 30.5 percent. On the contrary, the share of those dissatisfied (a total of extremely dissatisfied and generally dissatisfied) with the administrative report rose from the lowest point (9-22 October) of 3.6 percent to the present 20.8 percent.

Table 1. Were You Generally Satisfied or Dissatisfied with the Hong Kong Governor's Administrative Report? (15-16 December)

Attitude	Percentage
Extremely Satisfied	3.4
Generally Satisfied	27.1
Neutral	9.6
Generally Dissatisfied	13.0
Extremely Dissatisfied	7.8
Hard to Say	39.1

Hong Kong University Social Science Research Center researcher Chung T'ing-yao [6945 1656 5069], who is responsible for this survey, pointed out in the survey

report that if, according to the present trend, citizen dissatisfaction with the administrative report continues to rise, in the next two to three weeks, the percentage of citizens satisfied and dissatisfied with the administrative report could even out.

Chung T'ing-yao pointed out that the percentage of citizens dissatisfied with Governor P'eng's administrative report continues to rise and the Chinese side continually attacks the political reform proposals in the administrative report, thereby spurring negative public opinion from business circles and legislators as well as political organizations. He also indicated that because public opinion is concentrated on discussing the portion of the administrative report dealing with political systems, as far as the average citizen is concerned, the administrative report amounts to political reform and they overlook the portion of the report dealing with people's livelihood.

In addition, Mr. Chung also pointed out that right after the Hong Kong governor issued the administrative report, the percentage of citizens who answered the survey with "Hard to say" continued to decline to about 40 percent, indicating that the citizens were gradually understanding the content of the administrative report and thus making their decision whether they were satisfied or dissatisfied.

In the recent survey the percentage of citizens who answered "Hard to say" rose again, however. Mr. Chung infers that among the nearly 40 percent of the citizens who responded "Hard to say," besides some who indicated that it was hard to say because they did not understand the content of the administrative report, there also were some citizens who had formerly chosen their stand who were beginning to "make a transition," shifting from "dissatisfied" or "satisfied" to "hard to say," and shifting again from "hard to say" to "satisfied" or "dissatisfied." So, the increase in the "hard to say" percentage could be a sign of a shift in public opinion.

Male-Dominated Political Groups Surveyed*93CM0130B Hong Kong MING PAO in Chinese
15 Dec 92 p 6*

[Article: "Political Organization Male World Support for Women Runs Hollow"]

[Text] Special Manuscript

Table 1. Ratio of Men to Women Members at Various Levels in Principal Hong Kong Political Organizations

Political Organizations/ Ratio	Members*	Central Decisionmaking Organization**		Women's Issues Committee
		Central Standing Committee (Standing Committee)	Central Committee	
Hong Kong United Democratic Alliance	5:1	10:2	17:1	Yes
The Meeting Point	4.3:1	11:1	14:2	Yes

Table 1. Ratio of Men to Women Members at Various Levels in Principal Hong Kong Political Organizations (Continued)

Political Organizations/ Ratio	Members*	Central Decisionmaking Organization**		Women's Issues Committee
Democratic Alliance to Build Hong Kong	7:1	6:1	20:2	No
Association for Democ- racy and People's Livi- hood	4:1	12 Person Executive Com- mittee All Male		No
Hong Kong Democratic Foundation	Mostly Male	Male-Female Ratio in Decisionmaking Com- mittee 17:1		No

Notes: *Numbers under members category are ratio of males to females **Numbers under the central decisionmaking organization category are actual comparative numbers of men and women

The Legislative Council (LEGCO) will be debating tomorrow whether Hong Kong should or should not have induction (an agreement to eliminate all forms of discrimination against women). Quite a few political organizations are supporting the induction agreement and some have even included a women's policy in their platform. But if we look carefully at the membership of these organizations, there is a very great difference in male-female ratio and there are no specific countermeasures to improve on the inequitable participation of men and women.

This paper's reporters gathered data on the membership of five political organizations with members in the LEGCO to make a comparison. Because the Ch'i-lien Resource Center itself does not have a single political organization that is accepting members, it is not included in this comparison.

In calculating the comparisons, Min-chu-chien-kang-lien-meng [3046 0031 1696 3263 5114 4145; the Democratic Alliance to Build Hong Kong] has the smallest share of female members, the male-female ratio is approximately seven to one. The Association for Democracy and People's Livelihood with the greatest share of female members also has only a four to one [ratio].

There is an even greater difference in the male-female ratio at the central decisionmaking level of these political organizations and the situation in the Association for Democracy and People's Livelihood is the most extreme. All 12 of the members of the executive committee are men. The gap in the male-female ratio in the decisionmaking committee of Min-chu-hui [3046 0031 2585; the Hong Kong Democratic Foundation] is 17 to 1. The central standing committee of the Hong Kong United Democratic Alliance is considered the one with the most female participants. Of the 12 members on the standing committee, two are women, but of the 18 members of that organization's central committee, only one is a woman.

Of the five political organizations described above, only the Hong Kong United Democratic Alliance and the Meeting

Point have a special women's affairs committee and use a woman as a special spokesperson. The Association for Democracy and People's Livelihood that participates in selecting the platform, including women's policies, temporarily still has not established a women's affairs organization. It is understood that this is because they have been unable to gather enough core members to the point that they have the will but not the way to establish it. The Hong Kong Democratic Foundation has indicated that they have discussed relevant issues, but the women members believe that there is no need for this.

Ch'en Shu-ying [7115 2885 5391], the spokesperson for the Hong Kong United Democratic Alliance on women's affairs and a member of that organization's standing committee herself has indicated that women's concern about current affairs and public affairs is not less than men's, but their participation for the most part is expressed in petition movements, demonstrations, and calling into radio stations to express their opinions. As far as organizational participation is concerned, it usually stops at district affairs and rarely reaches central political organizations. The root cause is that the structure of Hong Kong society leads to women still rather lacking confidence. Society also has not provided the resources to alleviate women's domestic pressures allowing them to have more time to participate in activities.

Wang Hsiu-jung [3769 4423 1369], a spokesperson for the Hong Kong Women's Center Association, believes that these political organizations that support women's struggle for equal treatment should themselves adopt positive measures to encourage more women members to participate in organizational affairs. She also points out that from her experience coming and going contacting members of the LEGCO, for both men and women, the actual grasp of women's issues, especially the plight of women at the grassroots level, is inadequate and they need to enrich themselves often.

Ch'en Shu-ying, a "minority" in the central committee, also points out that her male colleagues have an "inadequate understanding" of women's issues. They often can only express hollow support and do not have much of a grasp of the discrimination that women encounter in such categories as culture and education.

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